

This Report will be made public on 14 February 2023

Report Number **A/22/25**

**To:** Council  
**Date:** 22 February 2023  
**Status:** Key Decision  
**Responsible Officer:** Charlotte Spendley, Director of Corporate Services

**SUBJECT:** SECOND AND EMPTY HOME PREMIUMS

**SUMMARY:**

From 1 April 2024, billing authorities will be given the ability to add a Council Tax premium to second homes and to amend existing long term empty home Council Tax premiums. This report reviews these proposals and recommends that some changes are introduced from the financial year 2024/25.

This report seeks an in-principle decision from Members to agree proposals in accordance with the Council Tax premium proposals set out within Leveling up and regeneration Bill, subject to Royal Assent being obtained. An early, in principle decision is recommended to allow timely decision to be made if and when the Royal Assent is granted.

**RECOMMENDATIONS:**

1. To receive and note report A/22/25.
2. To introduce a Council Tax premium to second homes from the 2024/25 financial year onwards in principle subject to the bill being enacted and guidance being published by Central Government.
3. To adopt amendments to Council Tax empty home premiums from the 2024/25 financial year onwards in principle as demonstrated in Table 2 subject to the bill being enacted and guidance being published by Central Government.

## 1. BACKGROUND

- 1.1 On 20 February 2019 Council resolved 'to adopt new Council Tax empty home premiums in accordance with changes in legislation from the 2019/20 financial year onwards.'
- 1.2 These premiums were introduced as agreed at the rates and introduction dates listed in Table 1.

**Table 1**

<b>Introduction date</b>	<b>Premiums that can be applied</b>
1 April 2019	100% premium for properties empty 2 years +
1 April 2020	100% premium for properties empty 2 – 5 years 200% premium for properties empty 5 years +
1 April 2021	100% premium for properties empty 2 – 5 years 200% premium for properties empty 5 – 10 years 300% premium for properties empty 10 years +

- 1.3 Latest figures shows that there are currently 134 properties attracting a 100% premium, 37 properties attracting a 200% premium and 17 properties attracting a 300% premium.
- 1.4 In the Levelling-up and regeneration bill dated May 2022 Government announced an amendment to the Long-Term empty dwellings (England) legislation providing Councils discretion to apply a premium of up to 100% of the Council Tax charge on those properties that have been empty for more than two years to be amended to apply to properties that have been empty for one year plus rather than two. This provision was introduced by Central Government as a tool to assist local authorities in the drive to bring empty properties back into use.
- 1.5 This bill is still awaiting Royal Assent. All recommendations are subject to the bill being enacted and guidance being published by Central Government.
- 1.6 If the bill does not receive Royal Assent by 31 March 2023 these changes will be recommended to be introduced for 1 April 2025. This is because there is a requirement to make the decision at least 12 months before the start of the financial year to which the decision relates.
- 1.7 The Levelling-up and regeneration bill also introduced new legislation relating to dwellings occupied periodically (England). This relates to properties that are classed as 'second homes'. This provides Councils discretion to apply a premium of no more than 100% to qualifying properties.

The conditions of this criteria are:

- a) There is no resident of the dwelling, and
- b) The dwelling is substantially furnished.

1.8 The Council will also explore using any additional income generated to consider increasing the support offered to low-income households via the Council Tax Reduction Scheme. Any decision will be subject to further consultation and agreement with Kent County Council as the major preceptor.

## **2. EMPTY HOMES AMENDMENTS**

2.1 Amendments will allow Councils to introduce the premium for empty homes a year earlier than existing agreements.

**Table 2**

<b>Introduction date</b>	<b>Existing premiums</b>	<b>Premiums that can be applied</b>
1 April 2024	100% premium for properties empty 2 years +	100% premium for properties empty 1 years +

2.2. The amendments have an impact for financial years beginning on or after 1 April 2024 and it does not matter if the start date of the property being empty is before this comes into force.

2.3 It is expected that by reducing the time a property in empty the premium will allow local authorities to strengthen the incentive for owners of empty homes to bring them back into use.

2.4 No public consultation is required to introduce this change.

2.5 Liable parties will be able to appeal via standard Council Tax appeal routes if they disagree with the applying of a premium on an account based upon facts of an individual case, for example, they state that the property is not empty. The principle of a premium will not be open to appeal.

## **3. SECOND HOMES AMENDMENTS**

3.1 Under existing legislation properties classed as second homes have a full charge (100%) and there are no discounts or premiums in place.

3.2 By introducing a premium on these properties it is expected that properties that are not in constant use may be encouraged to be brought back into use for local residents. It would also remove potential loopholes regarding empty homes where an owner could furnish a property to remove it from the list as being classed as an empty home to avoid the premiums that this can attract.

- 3.3 There is no minimum timeframe on this premium and if the premium is agreed any property classed as a second home would attract the premium with effect from 1 April 2024.
- 3.4 Taxpayers affected by the changes will be notified prior to the 1 April 2024 so they may make changes to the property before they are impacted by the changes.
- 3.5 It is recognised that some taxpayers may consider moving properties in Non Domestic rating due to letting legislation to avoid a premium. This will be monitored by the Council and cases investigated as appropriate.
- 3.5 All recommendations are subject to the bill being enacted and guidance being published by Central Government. Final policy decisions will follow Government guidance and be approved by Folkestone & Hythe District Council's Corporate Services Director in consultation with the Cabinet Member responsible for Revenues, Benefits, Anti-Fraud and Corruption.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 Table 3 illustrates the estimated financial impact the additional properties that would be impacted if introduced in April 2023; it is too early to provide details for April 2024 at this current time and these figures are for illustration purposes. Please note these figures are based on 2022/23 Council Tax rates.

**Table 3: Projection of empty homes premium changes**

	<b>Accounts</b>	<b>CTax Base value</b>	<b>100% premium charge value</b>	<b>Total chargeable</b>	<b>FHDC Benefit (13%)</b>
2023/24 projection	266	£227,530	£227,530	£455,060	£59,158

- 4.2 Table 4 demonstrates the potential impact of introducing the second homes premium. The figures below are provided based upon the Council Tax base for 2022/23 as provided by Central Government.

**Table 4: 100% Council Tax Premium yield on second homes based on latest figures**

<b>Accounts (Tax base)</b>	<b>Billing Authority</b>	<b>County Council</b>	<b>Fire Authority</b>	<b>Police</b>	<b>Town &amp; Parish Councils</b>	<b>Total</b>
1,049	£289,021	£1,534,033	£88,929	£244,556	£66,697	£2,223,236

4.3 Indicative rates above are based on 100% collection. The Council is aware that not all cases will yield 100% collection in year. Based upon latest figures the collection rates for each category impacted by this report are listed below. These are figures based on in year collection at the end of August 2022. Council targets for in year collection at the end of August 2022 is currently 47.00%. The end of year target for overall collection of Council Tax is 97.3%.

- Accounts with Empty Home Premiums currently in place: 45.08%
- Accounts listed as Second Homes: 59.06%

Second Home collection is higher than average collection, but this does not include an additional 100% charge which is being proposed.

## **5 MANDATORY PROCESS**

- 5.1 A full Council resolution is required to introduce the amendments detailing exemptions and agreements of introduction dates and premium amounts.
- 5.2 Final decisions must be passed by 31 March 2023 to be able to introduce any changes from 1 April 2024.
- 5.3 As detailed in paragraph 1.6, if the bill does not receive Royal Assent by 31 March 2023 these changes will be recommended to be introduced for 1 April 2025.
- 5.4 Following any formal decision to change, publication of the change must be published in the local press within 21 days.

## 6. RISK MANAGEMENT

6.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Additional income to FHDC is not fully realised due to the impact of the current economic climate on collection rates.	High	Medium	Collection to be closely monitored.

## 7. LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

### 7.1 Legal Officer's comments

As mentioned in the report, the Levelling Up and Regeneration Bill (which is still awaiting Royal Assent) will allow councils to introduce a new discretionary council tax premium on second homes of up to 100% and amend existing long term Council Tax premiums. The Council will only be able to implement the changes once the Bill has been enacted and been published by Central Government.

### 7.2 Finance Officer's comments

All necessary financial information is included within the body of this report.

### 7.3 Diversities and Equalities Implications

There are no equality and diversity implications directly arising from this report.

### 7.4 Communications

Publication of the decision must be made with 21 days of the decision as stated in the report.

### 7.5 Climate Change Implications

There are no climate change implications for this report.

## 8 CONTACT OFFICERS AND BACKGROUND DOCUMENTS

8.1 Councillors with any questions arising out of this report should contact the following officer prior to the meeting

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8.2 The following background documents have been relied upon in the preparation of this report:

**Appendices:**

Appendix 1 – Levelling-up and Regeneration bill (Points 72-73)

<https://bills.parliament.uk/bills/3155>