

Report to Cabinet

Thursday, 25 January 2024

By the Cabinet Member for Finance and Resources

DECISION REQUIRED



**Horsham
District
Council**

Not Exempt

Council Tax Premiums; Long-Term Empty Property Council Tax Premium and Second Home Council Tax Premium.

Executive Summary

Government's Levelling-up and Regeneration Act came into force on 26 October 2023. Local councils can now charge higher Council Tax on properties that are defined as long-term empty homes and properties that are only occupied occasionally (second homes).

An added charge is intended to encourage owners to bring them back into use and could boost the supply of properties available to rent or buy in Horsham, which supports local people.

This report recommends that the premiums are introduced from 1 April 2024 and 1 April 2025 respectively.

Recommendations

That the Cabinet is recommended to recommend to full Council (as part of the 2024/25 Council Tax resolution report):

- i) From 1 April 2024, to approve that empty and substantially unfurnished properties be charged an additional 100% council tax premium (twice the current Council Tax amount) after one year, instead of two years.
- ii) From 1 April 2025, to approve that dwellings with no resident and which are substantially furnished are charged 100% council tax premium (twice the current Council Tax amount).

Reasons for Recommendations

i) & ii) To reduce the number of empty homes within the District and to encourage the use of premises as main residences by local residents rather than second homes.

Background Papers: [Levelling-up and Regeneration Act](#)

Wards affected: All

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Background Information

1 Introduction and background

- 1.1 Following the Government's [Levelling-up and Regeneration Act 2023](#), which came into force on 26 October 2023, local councils can now charge higher Council Tax on properties that are defined as long-term empty homes and properties that are only occupied occasionally (second homes). This is called the Long-Term Empty Property Council Tax Premium and Second Home Council Tax Premium.
- 1.2 The report identifies decisions required by full Council and makes recommendations to change the Council's approach in respect of certain discretionary areas within Council Tax legislation. The changes will take effect from 1 April 2024 for Long Term Empty Property premiums and 1 April 2025 for Second Home premiums respectively.

2 Relevant Council policy

- 2.1 The implementation of the Council Tax premiums for Long Term Empty Property and Second Homes will support people and communities by encouraging the supply of housing and / or generating more income to support our services, as detailed in the Council Plan.

3 Details

Changes to empty homes premiums (From 1 April 2024)

- 3.1 Section 79 of the 2023 Act will permit billing authorities in England to impose an empty homes premium after one year instead of two. This gives effect to a commitment made by Government in the Levelling Up White Paper.
- 3.2 Section 79 provides that billing authorities must have regard to any guidance issued by the Secretary of State when deciding whether to implement an empty homes premium and it is expected that the current guidance drafted by government in 2013 will be updated. This change to guidance will come into effect from the 2024/25 financial year.
- 3.3 Section 79 provides that from 1 April 2024, a property can be charged an empty homes premium at 100% after one year, even if it became empty before 1 April 2024.
- 3.4 There are currently around a total of 2,245 empty properties recorded on the Council Tax database, of which 123 already attract the 100% premium. If none of the remaining properties become occupied in the meantime, around 615 may qualify for the 100% premium on the 1 April 2024. This could generate approximately £785,000 in additional Council Tax revenue.
- 3.5 However, there is no way to identify the number of properties that will remain empty on 1 April 2024, particularly when compared to the number of long-term empty properties vacant for 2+ years.

- 3.6 The legislation will also bring in exemptions to the premium, which would further reduce any potential income. Please see Appendix A for the full list of exemptions. Therefore, the financial impact can only be estimated and it means that the extrapolated income per year figure may drop substantially.

Changes to Second Homes (proposed from 1st April 2025)

- 3.7 From 1 April 2025, section 80 of the 2023 Act will allow all English billing authorities to charge a premium of up to 100% on second homes (no one's sole or main residence and which is substantially furnished).
- 3.8 The intention of the legislation change is to close the current loophole in relation to the empty homes premium and encourage the use of second homes as a primary residence.
- 3.9 It is recommended that the Council resolves to apply a premium of 100% on second homes with effect from 1 April 2025. The legislation requires that the Council gives at least one year's notice from the date of a full Council resolution and the change can only be effective from the commencement of a financial year, the earliest being 1 April 2025.
- 3.10 There are currently 313 indicated second properties in the Council Tax database. However, the exact number of second properties within the Horsham district is hard to determine as there is currently no requirement or incentive for customers to notify the Council Tax team of a second property. An exercise will be undertaken to confirm that all the 313 second properties noted in the Council Tax database remain second properties. This will not, however, tell us about second homes that are not currently identified as second homes. Reviewing all homes on the database will be a significant and onerous task.
- 3.11 Modelling the current data of 313 second homes as a proxy, additional income of approximately £635,000 might be generated. However, this is expected to decrease.

4 Next steps

- 4.1 This proposal report is submitted to Council for approval alongside the Council Tax resolution report. In line with all similar legislation, any decision made by the Council must be publicised in at least one local newspaper, within 21 days of its being taken.

5 Views of the Policy Development Advisory Group and outcome of consultations

- 5.1 This proposal was presented to the Finance & Resources PDAG on 15 January 2024. The Councillors generally supported the desire to encourage homes back into use and / or to generate income to support other services.
- 5.2 West Sussex County Council and Sussex Police and Crime Commissioner have indicated general support for the premiums, as they are facing significant budget pressures.

5.3 A public consultation was undertaken running from Tuesday 5 December 2023 to 5 January 2024. 52 responses were received:

- 46 (88%) were in favour of the premium on empty properties.
- 40 (77%) were in favour of the premium on second homes

5.4 The key comments, which came through from respondents who were in favour, centred around the importance of freeing up properties to help improve the availability of local housing.

5.5 Of the twelve respondents who were not in favour, half were responsible for a second property. There were a variety of reasons given to support their responses:

- Delays associated with probate and selling properties (empty homes)
- This was an unfair charge, which penalises personal choice.
- This would be an unfair charge because second homeowners underutilise local services.
- Some second homes may be for work purposes or regularly used, or rented out occasionally.
- The decision should consider the impact on tourism.

5.6 The Monitoring Officer and the Director of Resources were consulted to ensure legal and financial probity and their comments have been incorporated into the report.

6 Other courses of action considered but rejected

6.1 Doing nothing was considered, but rejected because it did not help the Council's objectives to encourage homes back into use or raise any additional revenue.

7 Resource consequences

7.1 The continued pressure on local authority finances (both the District Council and the Major Preceptors) together with the need to encourage all owners of domestic premises to bring them back into use, makes it essential that the Council changes its approach to empty homes and second homes.

7.2 Any additional income would be shared with both the Council and the major preceptors in proportion to their share of the collection fund. Based on current modelling of the estimated Long Term Empty Homes and Second Home forecasts, the increase in Council Tax is estimated to be as follows:

Preceptor	From 1 April 2024 Long Term Empty Homes Premium	From 1 April 2025 Second Homes Premium	Percentage
Parishes	25,120	20,320	3.2%
Horsham District Council	60,445	48,895	7.7%
Sussex Police and Crime Commissioner	90,275	73,025	11.5%
West Sussex County Council	609,160	492,760	77.6%
Total	£785,000	£635,000	100%

- 7.3 Horsham could therefore generate additional income of approximately £109,000, noting that data cleansing, customer action and exemptions could vastly reduce this sum.
- 7.4 Additional resource will be needed to cleanse and potentially collect new data for both Long Term Empty Homes and Second Homes, as well as additional administration time spent dealing with the correspondence, non-compliance and complaints. This cost will be borne by us as the billing authority and should be netted from the additional income generated.

8 Legal considerations and implications

The legal considerations and implications have been incorporated into this report.

9 Risk assessment

- 9.1 The main risk associated with the implication of the recommendations will be the increase in non-compliance, with some taxpayers actively trying to avoid the new charges by providing incorrect information to the Council.
- 9.2 The Council already has processes and procedures in place in order to ensure that all charges are applied correctly. Further compliance procedures will be established to ensure that the new second homes premium is applied in accordance with the legislation and the Council's requirement.
- 9.3 There may be circumstances where the implementation of these changes (percentage increases in the level of premiums) may cause exceptional hardship to a taxpayer. In such cases, the Council will consider applications for a reduction in liability under its Section 13A (1)(C) of the Local Government Finance Act 1992 - Reduction in Council Tax liability policy.

10 Procurement implications

- 10.1 There are no procurement implications stemming from this report.

11. Equalities and Human Rights implications / Public Sector Equality Duty

- 11.1 There are no anticipated impacts on protected characteristics associated with this report. The proposals do, however, include the potential generating of positive outcomes for local people who are struggling to secure sustainable accommodation in the district, and may subsequently ease current inequalities around access to local homes.

12 Environmental implications

- 12.1 There are no environmental implications arising from this report.

13 Other considerations

- 13.1 There are no implications for crime and disorder or for personal data.

Appendix A: Exceptions to Empty Property Premium

The Government's proposed exceptions are:

- Empty properties and second homes where probate has been awarded will have a 12-month exception from the premium at the end of the statutory 6-month exemption period.
- Empty properties and second homes being actively marketed for sale or to let would receive a 6-month exception from the premium.
- Empty properties undergoing major repairs would receive a 6-month exception from the premium.
- Annexes forming part of or being treated as part of the main dwelling would be an exception from the second home premium applied.
- Properties currently receiving a 50% job related second home discount would be an exception from the second home premium.
- Occupied caravan pitches and boat moorings would be an exception from the second home premium.
- Seasonal homes where year-round or permanent occupation is prohibited or has been specified for use as holiday accommodation would be an exception from the second home premium.