

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	COUNCIL – 20 MARCH 2024
Subject	COUNCIL TAX PREMIUM – SECOND HOMES AND LONG-TERM EMPTY PROPERTIES
Wards affected	All
Accountable member	Councillor Mike Every – Deputy Leader and Cabinet Member for Finance Email: mike.every@cotswold.gov.uk
Accountable officer	Mandy Fathers – Business Manager for Environmental, Welfare and Revenues Email: democratic@cotswold.gov.uk
Report author	Mandy Fathers – Business Manager for Environmental, Welfare and Revenues Email: democratic@cotswold.gov.uk
Summary/Purpose	To consider the proposals to introduce a Council Tax Premium on second homes and apply a premium to long term empty properties after one year.
Annexes	ANNEX A – Council Tax information letter 2/2024: proposals to exempt categories of dwellings from the council tax premiums in England
Recommendation(s)	That Full Council resolves to: <ul style="list-style-type: none"> I. Agree from 01 April 2024, to levy the maximum level of premium for Empty Homes as set out in the Levelling Up and Regeneration Act 2023. <ul style="list-style-type: none"> a) Premium of 100% for dwellings which are unoccupied and substantially unfurnished (Empty Homes Premium) after 1 year up to 5 years of becoming empty; b) Premium of 200% for dwellings which are unoccupied and substantially unfurnished (Empty Homes Premium) between 5 years and 10 years; c) Premium of 300% for dwellings which are unoccupied and

	<p>substantially unfurnished (Empty Homes Premium) for 10 years or more.</p> <ol style="list-style-type: none"> 2. Agree in principle from 01 April 2025 to the implementation of a premium (Second Homes Premium) of 100% for dwellings that are no one's sole or main residence and which are substantially furnished as set out in paragraph 4.7 of the report. 3. Agree to issue the mandatory notice of 12 months to all owners of second homes that a premium will commence from 1 April 2025; and, 4. Note that where premiums are to be applied, the Council is mindful of the current consultation by government which recommends exceptions in certain circumstances outlined within this report. Subject to the outcome of that consultation, a further report may be presented to Cabinet and Council prior to the implementation of the Council's policy on premiums taking into account statute, the Council's requirements and any guidance given by the Secretary of State.
Corporate priorities	<ul style="list-style-type: none"> • Delivering our services to the highest standards • Provide socially rented homes
Key Decision	YES
Exempt	NO
Consultees/ Consultation	Leader and Deputy Leader, Chief Executive and Deputy Chief Executive, Monitoring Officer, Interim Head of Legal Services, Finance Business Partner, Assistant Director Resident Services, Director of Finance (Publica)

1. EXECUTIVE SUMMARY

- 1.1** This report sets out for consideration the introduction of a 100% Council Tax premium in respect of Second Home properties commencing on 1 April 2025 as well as reducing the period a premium can be applied to a Long-Term Empty property from two years to one from 1 April 2024.

2. BACKGROUND

- 2.1** The Government encourages all billing authorities to adopt Council Tax premiums on empty properties with a view to incentivising property owners to bring those properties back into use. Premiums can currently be charged where properties are left unoccupied and unfurnished for periods exceeding 2 years.
- 2.2** In May 2022, the Government published the Levelling Up and Regeneration Bill (“the Bill”). The Bill includes proposals aimed at further addressing empty properties through the reduction in the time after which a premium on an empty property can be charged (from 2 years to 1 year) in addition to measures which seek to recognise the impact that high levels of second home ownership can have in some areas of the country.
- 2.3** The intention of the Bill is to:
- reduce the minimum period for the implementation of a Council Tax premium for empty premises from two years to one year; and
 - allow Councils to introduce a Council Tax premium of up to 100% in respect of second homes.
- 2.4** The Bill received Royal Assent on 26 October 2023.
- 2.5** The premium for second homes can only be implemented if the Council has given at least one-year's notice to council taxpayers. Therefore, the Council would need to make a decision before 01 April 2024 in order to apply this premium from 1 April 2025.
- 2.6** Several councils are planning to make use of the new powers in the Levelling Up and Regeneration Act to charge a Second Homes Premium. According to the Local Government Chronicle (22 January 2024), almost 30 Councils were listed in an article including Cornwall and North Yorkshire which have similar second homes pressures as this Council.

2.7 The Government published Council Tax Information Letter (CTIL) 2/2024 on 11 March 2024. This summarised the response to the consultation on proposals to exempt categories of dwellings from the council tax premiums in England. The CTIL provides local authorities with details of the exceptions to the empty homes premium and second homes premium. The letter is included as Annex A to this report.

3. CHANGES TO EMPTY HOMES PREMIUMS (FROM 01 APRIL 2024)

3.1 Legislation was introduced in 2013 to allow premiums to be charged on empty properties with a view to encouraging homeowners to occupy homes and not leave them vacant in the long term. Initially premiums could only be charged at 50% but current legislation has now changed to allow a progressive charge to be made as follows:

- Dwellings left unoccupied and substantially unfurnished for 2 years or more, up to 100%;
- Dwellings left unoccupied and substantially unfurnished for 5 years or more, up to 200%; and
- Dwellings left unoccupied and substantially unfurnished for 10 years or more, up to 300%.

3.2 Section 80(1)(b) of the 2023 Act will permit billing authorities in England to impose an empty homes premium after one year instead of two.

3.3 Section 80(1)(a) 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.

3.4 Sections 81(2) and 81(4) provide 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.

4. INTRODUCTION OF PREMIUM FOR SECOND HOMES (FROM 01 APRIL 2025)

4.1 For Council Tax purposes, a second home is defined as a dwelling, which is not a person's sole or main home and is substantially furnished. There are approximately 1,500 second homes in the Cotswold district. These properties are subject to the full 100% Council Tax charge.

4.2 Second home ownership within parts of the district is significant and is recognised to have a negative impact in terms of the supply of homes available to meet local housing need. The Bill

recognises the impact that high levels of second home ownership can have, and that more needs to be done to disincentivise people from simply doing nothing with their property, or not using it to its full potential.

- 4.3** Now that the Act has received Royal Assent and is now legislation, it allows councils to apply a Council Tax premium of up to 100% if the mandatory 12-month notice has been given to second homeowners.
- 4.4** With increased pressure on the Council to find houses for local people in need, the implementation of this premium will support the Council's priorities by providing additional Council Tax revenue for housing needs across the district. The intention of the premium is to return second homes to the local housing market thereby increasing the level of available stock for permanent residents.
- 4.5** There are some wider issues to consider.
- Incentivise owners of empty properties to bring these back into use.
 - Properties available to let can be treated as a business and therefore could be subject to business rates. There are certain conditions that are applied to be eligible for assessment under the business rates system. Properties should be available to let for more than 140 nights in a calendar year and were available to let for more than 140 nights in the previous year and were actually let for at least 70 nights in the last 12 months).
 - Couples who own second homes may claim that they are living separately and are single occupants of each respective property (information supplied to claim any discount can be checked and verified. Financial penalties can be imposed where false information is provided).
- 4.6** It is recognised that there are a number of second homes in the district that were built as holiday homes and are subject to certain restrictions on their occupation – largely those within the Cotswold Water Park.
- 4.7** The intention of the second homes premium, as set out in the Levelling Up and Regeneration Act, is to increase the supply of the available housing stock for permanent residents. Purpose built holiday homes located within the Cotswold Water Park or elsewhere are not suitable or available for permanent residents, so their sale would not bring accommodation onto the market. Therefore, it is proposed that subject to relevant guidance and/or legislation, the Council would not seek to charge a Second Homes Premium on these properties.
- 4.8** As outlined in paragraph 2.7 of this report, correspondence was received on 11 March 2024 providing further guidance on properties that would be subject to an exception. A further report may be brought to Cabinet and Council when the Government has legislated to bring the exceptions into effect and will provide further details around the administration and implementation of the Second Homes Premium.

5. FINANCIAL IMPLICATIONS

- 5.1 If a 100% premium on second homes was charged, the additional revenue would be approximately £3.3 million with the District Council retaining around £240,000 (prior to accounting for any reduction for second home properties that may be excluded as set out in paragraphs 4.7 and 4.8).
- 5.2 In recognising the policy objective of charging the Second Homes Premium, it is proposed that the District Council’s share of the additional revenue is set aside in the Council Priority: Housing Delivery reserve to facilitate the provision for additional affordable housing units across the district. This proposal will be subject to ongoing review by the Leader and Deputy Leader, in consultation with the Deputy Chief Executive to ensure the level of funding available to support the Council priority and the Council’s wider financial sustainability objectives are met.
- 5.3 With a significant proportion of the Second Homes Premium being collected on behalf of Gloucestershire County Council and the Police and Crime Commissioner for Gloucestershire, it is recommended that the Leader and the Chief Executive hold discussions with the major preceptors on how the additional Council Tax revenue would be utilised to the benefit of residents in the District.

Cotswold District Council	Gloucestershire County Council	Police and Crime Commissioner for Gloucestershire	Total tax base for Town and Parish Councils	Total
£246,038	£2,483,268	£478,950	£157,518	£3,365,774

(Note: Gloucestershire County Council and the Police and Crime Commissioner would receive more than 90% of the total raised).

6. LEGAL IMPLICATIONS

- 6.1 Section 79 of the levelling Up and Regeneration Act 2023 (“the Act”) amends the Local Government Finance Act 1992 (LGFA) by reducing the period a premium can be applied to a long-term empty property from two years to one.
- 6.2 Section 80 of the Act amends the LGFA by introducing the ability to levy a 100% premium on Second Home properties.
- 6.3 There will need to be a review of the legalities once the relevant legislation has been issued. A further report will be brought back to Cabinet once this has been received.

7. RISK ASSESSMENT

- 7.1 There is a risk that second homeowners may seek to migrate from Council Tax to Business Rates assessments which would reduce the level of Council Tax available to the local authority and the preceptors.

8. EQUALITIES IMPACT

- 8.1 None.

9. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 9.1 There are none associated with this report.

10. ALTERNATIVE OPTIONS

- 10.1 The Council could choose:

1. Not to introduce a premium on either Second Homes or Long-Term Empty Properties that have been empty for one year; or
2. Introduce a premium of Second Homes only; or
3. Introduce the premium of Long-Term Empty Properties that have been empty for one year.

11. BACKGROUND PAPERS

- 11.1 None