

Gloucester City Council

Report to:	Cabinet Council	Date:	10 January 2024 25 January 2024
Subject:	Council Tax – Second Homes Premium and Amendments to the Empty Homes Premium		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	Yes	Budget/Policy Framework:	No
Contact Officer:	Greg Maw, Head of Finance & Resources		
	Email: greg.maw@gloucester.gov.uk	Tel:01452 396422	
Appendices:	1. The Levelling Up and Regeneration Act 2023 2. Council Tax Empty Homes Premium Briefing Document 3. The Local Government Finance Act 1992		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 In May 2022, the Government's 'The Levelling Up and Regeneration Bill' put forward proposals to charge discretionary Council Tax premium options on second homes. The Bill received Royal Assent on 26 October 2023 and gives Local Authorities the option to include a council tax premium on properties which are occupied periodically (second homes) and a reduction from two years to one year before an empty home premium is applied.

2.0 Recommendations

- 2.1 Cabinet is asked to **RECOMMEND** that:

- (1) council tax be increased for all properties which are occupied periodically by 100% from 1 April 2025 subject to any exemptions set out in subsequent Regulations and for implementation to be in accordance with those Regulations and guidance and
- (2) the council tax empty homes premium be increased to 100% for properties empty for between one and five years (currently between two and five years), from 1 April 2025 subject to any exemptions set out in subsequent Regulations and guidance.

2.2 Council is asked to **RESOLVE** that:

- (1) council tax be increased for all properties which are occupied periodically by 100% from 1 April 2025 subject to any exemptions set out in subsequent Regulations and for implementation to be in accordance with those Regulations and guidance and
- (2) the council tax empty homes premium be increased to 100% for properties empty for between one and five years (currently between two and five years), from 1 April 2025 subject to any exemptions set out in subsequent Regulations and guidance.

3.0 Background and Key Issues

3.1 For Council Tax purposes second homes are properties that are furnished but where no-one lives as their main residence. Council Tax is charged at the standard 100% charge, in line with the property council tax band. The Levelling Up and Regeneration Act 2023 enables Billing Authorities to determine a higher amount for properties occupied periodically (second homes) of up to an additional 100%. The conditions are:

- There is no resident of the property and
- The property is substantially furnished.

3.2 There is no legal definition for what constitutes substantially furnished. In any disputed cases we will always visit and make an assessment.

3.3 With increased pressure to find housing for people in need the Council wants to encourage homeowners to bring homes into use to the benefit of all residents. The premium supports the council's strategy to bring empty homes back in to use more quickly and generate additional income.

3.4 Long-term empty homes within Gloucester City, are currently subject to an Empty Homes Premium, introduced in April 2019 and which allows additional council tax premium charges as follows:

- 100% additional Empty Homes Premium on properties which are empty for more than two years but less than five years.
- 200% additional Empty Homes Premium on properties which are empty for more than five years but less than ten years.
- 300% additional Empty Homes Premium on properties which are empty for more than 10 years.

The Act amends the definition of a long-term empty dwelling, reducing the period from two years to one. Changes to the definition of a long-term empty dwelling allows an empty home premium of an additional 100% on properties which are empty for more than one year but less than five years.

- 3.5 The Levelling Up and Regeneration Act 2023 received Royal Assent on the 26 October 2023. A billing authority's decision to charge a premium for a second home must be made at least one year before the beginning of the financial year to which it relates and will become available from 1 April 2025. A change to the Empty Home Premium can be implemented from 1 April 2024 providing the decision is taken before the start of the financial year.
- 3.6 The Local Government Finance Act 1992 (as amended) section 11C subsection (3) legislates that any Billing Authority wishing to implement the discretionary second home premium charge must make a Council resolution confirming its requirements at least one year before the beginning of the financial year to which it relates, hence the request for the approval to increase council tax on second homes at this early stage. A billing authority that wishes to vary a determination relating to the Empty Homes Premium must do so before the beginning of the financial year under Section 11B of the Local Government Finance Act 1992 (as amended) subsection (5).
- 3.7 Approval is sought to allow the Council to make timely decisions once detailed guidance is available and regulations made for the premium on properties that are occupied periodically.
- 3.8 The Government encourages billing authorities to adopt Council Tax premiums on long-term empty properties with the purpose of incentivising property owners to bring those empty properties back into use.
- 3.9 The Act addresses the issue of empty furnished properties by proposing a 100% increase in Council Tax to be applied to second homes and closes the loophole where furnishing an empty property negates the Empty Home Premium.

4.0 PROGRESS

- 4.1 As of 2 October 2023, Gloucester City Council records show that 153 properties throughout the city are recorded as Second Homes. The breakdown is as follows:

Number of Band A Properties	Number of Band B Properties	Number of Band C properties	Number of Band D properties	Number of Band E properties	Number of Band F Properties	Number of Band G Properties	Number of Band H Properties
67	35	28	15	7	0	1	0

- 4.2 Based on Council Tax charges for 2023-24 financial year, if an additional 100% second home premium were to be introduced, additional charges of approximately £249k could be billed, generating £27k a year for Gloucester City Council.
- 4.3 Empty homes tend to have a more fluid position than second homes. As of 2 October 2023 records show that 54 properties, detailed in the table below, are subject to the 100% empty homes premium as they have been empty and unoccupied for over two years.

Number of Band A Properties	Number of Band B Properties	Number of Band C Properties	Number of Band D Properties	Number of Band E Properties	Number of Band G Properties
27	16	6	3	1	1

An additional £85k is billed for council tax empty homes premium on these properties recorded as empty for in excess of two years. It cannot be assumed that a change in timescales from two years to one year will result in similar additional premiums being levied, however the figures should provide context. It should also be noted that there will be an element of fluidity around the figures for empty homes and an amount should be considered for non-collection.

- 4.4 Any additional income generated would be shared across the City Council's main preceptors, Gloucestershire County Council and the Office of the Police and Crime Commissioner.

5.0 Reasons for Recommendations

- 5.1 The purpose of the Empty Homes Premium change is to encourage property owners of long-term empty properties to bring those properties back into use. There are negative effects on the community associated through long term empty properties which are likely to fall into disrepair and be subject to anti-social behaviour such as squatting or vandalism.
- 5.2 The rationale behind changing the 100% Empty Homes Premium for long-term empty properties, currently empty for more than two years but less than five years, to empty for more than one year but less than five years is to provide owners with a further incentive to bring empty homes back into use, thus supporting the aims of the Council's Long Term Empty Property Strategy as well as generating additional Council Tax income. A working group across service areas is currently reviewing the council's approach to empty homes, engaging with owners to understand their behaviours and what the council can do to incentivise getting empty properties back into use.
- 5.3 The purpose of the Second Home Premium is to close the loophole where furnishing an empty property negates the Empty Home Premium charge as well as generating additional Council Tax income.

6.0 Future Work and Conclusions

- 6.1 It is recommended that the Cabinet and then Council resolve to increase council tax for all properties which are occupied periodically by 100% from 1 April 2025.
- 6.2 It is recommended that the Cabinet and then Council resolve to increase the council tax empty home premium to 100% for properties empty for between one and five years from 1 April 2025.
- 6.3 A notice will be published in at least one local newspaper within 21 days of determination.

- 6.4 Subsequent regulations and detailed guidance will be tracked and a work plan put in place including a communication strategy to ensure that council taxpayers are notified of the introduction of a Second Home Premium and changes to the Empty Home Premium in advance of 1 April 2025. The work plan will factor in a key task to identify properties that are excluded from the premium and records updated accordingly in advance of 1 April 2025.

7.0 Financial Implications

- 7.1 There are no financial implications associated with the recommendation. The Council have the software to enable the billing amendments to take place.
- 7.2 There are positive financial impacts, based on data as of 2 October 2023 and the current year council tax charges, additional council tax of £334k could be charged.

8.0 Legal Implications

- 8.1 The Levelling Up and Regeneration Act 2023 amends the Local Government Finance Act 1992. The effect being that for financial years beginning on or after 1 April 2025 a billing authority may by determination increase council tax by 100% where there is no resident of a dwelling, and the dwelling is substantially furnished. A determination must be made at least one year before the beginning of the financial year to which it relates.

The Levelling Up and Regeneration Act 2023 amends the Local Government Finance Act 1992. The effect being that for financial years beginning on or after 1 April 2024 a "long term empty dwelling" can be a property that (a) has been unoccupied, and (b) it has been substantially unfurnished for a period of one year rather than the current 2 years.

9.0 Risk & Opportunity Management Implications

- 9.1 There is a risk that the introduction of a second home premium may encourage Council Tax 'avoidance' whereby owners of second homes may transfer the property to Business Rates. Currently only properties that are available to let for more than 20 weeks (140 days) in a calendar year should be rated for business rates by the Valuation Office Agency (VOA). From April 2023, the rules surrounding this are still applicable, however, in addition, the owner must evidence to the VOA that the property was actually let for short periods totalling at least 70 days in the previous year. This amendment for the second homeowner to evidence that the property has been let should ensure that any properties transferring from the Council Tax register to Business Rates are only those where the property is genuinely being utilised for business purposes. There may be some properties currently on the Business Rates list which will need to be transferred to the Council Tax register.

10.0 People Impact Assessment (PIA):

- 10.1 None

11.0 Other Corporate Implications

11.1 Not applicable.

Sustainability

11.2 Not applicable

Staffing & Trade Union

11.3 Not applicable

Background Documents:

Appendix 1 – The Levelling Up and Regeneration Act 2023 – Chapter 2 Section 79 and 80
[Levelling Up and Regeneration Act 2023](#)

Appendix 2 – Report to Cabinet 9 January 2019 – Council Tax Empty Homes Premium -
[Gloucester City Council - Empty Homes Premium](#)

Appendix 3 – [The Local Government Finance Act 1992 Chapter 1 Section 11B](#)