

Public
Key Decision – Yes

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Council Tax Premiums

Meeting/Date: Cabinet – 12 November 2024
Council – 11 December 2024

Executive Portfolio: Executive Councillor for Resident Services and Corporate Performance (Cllr S W Ferguson)

Report by: K Kelly – Revenues and Benefits Manager

Ward(s) affected: All

Executive Summary:

Under the Local Government Finance Act 1992, the Council can determine the level of Council Tax discount awarded for certain unoccupied dwellings as well as charging additional premiums on dwellings that have been unoccupied and unfurnished for more than two years.

Previously the Council has opted to remove discounts for certain unoccupied properties and to charge an additional premium on dwellings that have been left empty and unfurnished for two years or more.

The Levelling Up and Regeneration Act 2023 provides for the empty homes premium to be charged sooner and introduces the option to charge a premium on second homes in the district.

The following report details the steps that can be taken to introduce the additional premiums with a view to encouraging empty homes across the district to be brought back into use.

At their meeting on 12 November 2024, the Cabinet noted the report and endorsed the recommendations for consideration by the Council. Executive Members expressed support for the Overview and Scrutiny Panel's proposed additional recommendation requesting an update of the numbers of properties falling under the scheme to be reported back to the democratic cycle once the new policy have been in place for 12 months.

RECOMMENDATIONS

The Council is

RECOMMENDED

- 1) Amend the existing empty homes premium to charge the additional 100% Council Tax premium after one year of the conditions being met, rather than the current two years, with effect from 1st April 2026**
- 2) Approve the introduction of a second homes premium of 100% with effect from 1st April 2026**
- 3) Provide delegated authority for the s151 Officer, in conjunction with the Executive Councillor for Resident Services and Corporate Performance, to adopt a policy setting out exceptions to the premiums in line with any regulations or guidance issued by Central Government, and to make subsequent updates to the policy as and when required.**
- 4) Agree that an update of the number of properties falling under the scheme be reported back to the democratic cycle once the new policy has been in place for 12 months.**

1. PURPOSE OF THE REPORT

- 1.1 The Levelling Up and Regeneration Act 2023 allows the Council to apply a Council Tax premium on empty and unfurnished properties after one year rather than two. It also allows the Council to implement a premium on dwellings on second homes.
- 1.2 This report sets out key factors for consideration.

2. BACKGROUND

- 2.1 While most Council Tax discounts and exemptions are set nationally some discounts can be decided locally, allowing Local Authorities to determine levels of discount that best suits local need.
- 2.2 The discounts that can be set locally relate to dwellings that are:
- unoccupied and require, or are undergoing, major repair to render them habitable
 - unoccupied and unfurnished
 - unoccupied and furnished
- 2.3 The Council has previously determined that no discount should be provided on properties that are unoccupied and undergoing or require major repair, nor for those that are unoccupied and unfurnished.
- 2.4 In addition, any dwelling that has been unoccupied and unfurnished for two years or more is also charged an additional Council Tax premium at the maximum amount permitted, as a way of deterring owners from leaving properties empty for long periods of time.
- 2.5 For Council Tax purposes, all properties that are furnished but are not occupied by anyone as their sole or main residence are classed as second homes.
- 2.6 The Council has previously determined that no discount should be awarded on second homes but has not previously been able to charge a premium on such dwellings. This creates a loophole by which homeowners can avoid being charged the empty homes premium by furnishing unoccupied properties.
- 2.7 Further details of the current levels of discounts and premiums that have been determined by the Council and the conditions when these apply can be found in APPENDIX A.
- 2.8 Any decision to introduce a Council Tax premium on second homes must be taken at least one year prior to the start of the year for when it would become effective. Therefore, the earliest date from when the charge could become effective is 1st April 2026, with a determination to implement the charge being made before 31st March 2025.

2.9 The Government has legislated for a range of exceptions to the premiums and is expected to provide further guidance on their application in due course.

2.10 Following a determination to charge the additional premiums, a policy covering the application of the charges and full details of exemptions will be developed, taking into account the regulations and guidance by Central Government.

3. ANALYSIS

3.1 Empty properties can have a number of unwanted impacts in communities and with increasing pressure to find homes for people in need, the application of Council Tax premiums can help incentivise owners of empty properties to bring these back into use.

3.2 The Levelling Up and Regeneration Act 2023 amended the Local Government Finance Act 1992 to provide Local Authorities with the powers to make further changes to levels of Council Tax charged in respect of empty dwellings:

- To bring forward the date from which a premium can apply on dwellings which are unoccupied and unfurnished, from two years to one. The “empty homes premium”.
- To implement a premium on dwellings that are unoccupied and furnished. The “second homes premium”.

Empty Homes Premium

3.3 There are currently 83,401 dwellings on the Council Tax list for Huntingdonshire. On 1st August 2024, the empty homes premium applied to 143 dwellings across the district that have been empty and unfurnished for two years or more as follows:

Empty Period	Additional Council Tax	Number of Dwellings
2 – 5 years	100%	95
5 - 10 years	200%	29
10 years plus	300%	19

3.4 The premiums are applied to every dwelling which has been unoccupied and unfurnished for more than two years. This starts from the date that the property first met the conditions and does not reset with a change of ownership. There are currently no exceptions to the premium being applied.

3.5 Applying a premium on unoccupied and unfurnished properties after one year rather than two would encourage homeowners to bring properties back into occupation at an earlier date.

- 3.6 There are a further 170 dwellings that have been unoccupied and unfurnished for between twelve months – two years that would become subject to an additional premium of 100% under the proposals.
- 3.7 Any decision taken to vary the amount of empty homes premium charged must be taken before the financial year in which it relates.

Second Homes Premium

- 3.8 There were 269 properties classed as being second homes on 1st August 2024. That is, they were not being occupied as anyone's sole or main residence and were furnished. 34% of owners of second homes in Huntingdonshire live outside of the district or abroad.
- 3.9 The Legislation allows the Council to charge an additional premium of up to 100% in respect of such properties. Unlike the empty homes premium, there is no requirement for a property to have been classified as a second home for a fixed period before the premium can apply, and so it would become payable of the effective date.
- 3.10 Any decision taken to implement a Council Tax Premium on second homes must be taken at least one year in before the beginning of the year to which it relates. Therefore, a decision must be taken before 31st March 2025 for the second homes premium to apply from April 2026.

Exceptions

- 3.11 The current empty homes premium is applied to all dwellings that meet the specified conditions, without exception.
- 3.12 In order to ensure that the implementation of premiums works towards policy aims of encouraging empty homes back into use and does not unfairly penalise owners, new legislation has been passed that provides exceptions to the premiums in certain circumstances. These are as follows:

Exception	Empty Homes Premium Exception	Second Homes Premium Exception
Properties undergoing probate: A 12-month exception will apply after probate or letters of administration have been granted	✓	✓
Properties actively marketed for sale or let: A 12-month exception will apply	✓	✓
Properties that are empty and undergoing major repairs	✓	
Annexes forming part of, or being used as part of the main dwelling		✓
Job-related Dwellings, where a person is required to live in a		

specified dwelling as part of their employment. This does not apply where someone chooses to have an additional property to be closer to work, nor where an individual is posted to a new location but maintains their previous address		✓
Occupied caravan pitches and boat moorings		✓
Seasonal homes where year-round or permanent occupation is prohibited		✓

- 3.13 In addition to the exceptions listed above, Government has encouraged Local Authorities to also take account of other circumstances in its application of premiums to ensure that the approach seeks to deliver policy aims and does not unfairly penalise those where the dwellings are empty for genuine reasons.
- 3.14 Examples of where discretion is encouraged includes properties that are difficult to sell such as retirement properties, or where properties are empty due to their particular use, such as furnished properties used for emergency housing or domestic violence refuges.
- 3.15 The legislation regarding exceptions to the Council Tax premiums has recently been enacted, and Government have confirmed that further guidance will be issued covering the application of the exceptions. A policy setting out the full details of exceptions will therefore be developed in due course and published prior to commencement of the charges.
- 3.16 Where a property is exempt from Council Tax, for example, a property left empty which was previously occupied by a person who has moved into hospital or care, the premiums will not apply. The premiums will only apply to *chargeable dwellings*, e.g. those that are on the Council Tax list but not exempt.

4. COMMENTS OF OVERVIEW & SCRUTINY

- 4.1 The Panel discussed the Council Tax Premiums Report at its meeting on 7th November 2024.
- 4.2 Councillor Shaw expressed support for the scheme and following an enquiry, it was confirmed that the proposal was to charge 100% Council Tax Premium after one year of the conditions being met. It was also confirmed that the date that the property became empty would be the date used once the proposed changes come into effect.
- 4.3 Support for the proposals was also expressed by Councillor Hassall, who also enquired about the criteria for homes being unfurnished. The Panel heard that whilst there was no legal definition the broad view was that the home should be habitable with some furniture and white goods present. Following a further question from Councillor Hassall, it was clarified that

the Council proposed to charge the maximum amounts permitted by the legislation.

- 4.4 Following an enquiry from Councillor Bywater drawing on the experience of a constituent, the Panel heard that the Council were able to exercise discretion in genuine cases of houses being on the market and specifically where a property had been through probate for a period longer than exception provided. Further detail on this would be worked into future policy development. It was also confirmed that notice would be placed into local newspapers to confirm the changes along with 12 months notice of these coming into effect.
- 4.5 In response to a question from Councillor Lowe, the Panel heard that properties which were vacant due to the occupant/s moving to a care home would remain exempt provided that they remained unoccupied.
- 4.6 It was confirmed to the Panel, following a question from Councillor McAdam regarding the empty period after which a premium could be charged, as set out within the recommendations, were set in legislation.
- 4.7 Following a question from Councillor Hassall, the Panel heard that guidance was in place to ascertain what classified as a property being actively marketed for sale, but that further work would be developed on this subject during future policy development.
- 4.8 A comment from Councillor Hunt was read out to the Panel regarding receiving detail on and it was proposed by Councillor Mokbul to add an additional recommendation to the Cabinet report, this recommendation was seconded by Councillor Lowe and the Panel voted unanimously in favour of forwarding the proposed recommendation to the Cabinet;
- 4) to agree that an update of the numbers of the properties falling under the scheme be reported back to the democratic cycle once the new policy has been in place for 12 months.
- 4.9 Following the discussion, the Panel were informed that their comments would be added to the Cabinet report in order for Cabinet to make a decision upon the recommendations within the report, and additionally, the Panel request that the Cabinet consider adding the following recommendation to their report;
- 4) to agree that an update of the numbers of the properties falling under the scheme be reported back to the democratic cycle once the new policy has been in place for 12 months.

5. KEY IMPACTS / RISKS

- 5.1 Bringing empty homes back into use can have a positive impact on the local housing market and the communities in which these homes are situated.

- 5.2 The premiums are not intended to penalise owners who are already taking steps to bring properties back into use, and the list of exceptions set out by Government provide for a range of circumstances where the premium would either be delayed or would not apply.
- 5.3 There is a risk that homeowners may look to avoid the premium by taking advantage of the 12-month exception for homes being marketed for sale by advertising the property for sale or rental at an inflated price. However, as part of the policy that will be developed, owners may be required to provide evidence of the marketing and valuation where this appears to be inflated, in order to benefit from the exception.
- 5.4 Owners of second homes used as holiday lets may seek to move second homes from Council Tax into Business Rates as a way of avoiding the premium. A dwelling can move to Business Rates as a self-catering property provided it has been available to let for short periods totalling at least 140 nights and must have actually been let for at least 70 nights over the previous 12 months.
- 5.5 It would be for homeowners to provide such evidence to the Valuation Office Agency, a Government department, who would then decide if a property should appear on either the Council Tax or Business Rates list.

6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 6.1 Changes to the empty homes premium can be effective from the 1st April provided that a determination is made before the financial year to which it relates, but the second homes premium requires at least one year's notice.
- 6.2 As the legislation regarding exceptions is yet to be enacted, it is recommended that the decision is taken to implement both changes with effect from 1st April 2026. This allows time for the policy to be developed following the legislation being passed, and for owners of empty properties to be notified of the changes.
- 6.3 The regulations require that a notice must be in placed in a local newspaper within 21 days of a decision to introduce or amend the premiums.

7. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND/OR CORPORATE OBJECTIVES

- 7.1 The Corporate Plan 2023 – 2028 outlines our ambition to:
- 1) Improve the quality of life for local people
 - 2) Create a better Huntingdonshire for future generations
 - 3) Doing our core work well
- 7.2 The application of Council Tax premiums on unoccupied properties is intended to encourage owners to bring these back into use, directly supporting these ambitions. This would have a positive impact on the

communities in which such properties are situated, reducing the risk of vandalism and anti-social behaviour that empty dwellings can attract.

- 7.3 Bringing empty properties back into use can help to meet the Council's housing need and supports the journey of Pride in Place as part of the Council's Place Strategy – Huntingdon futures.
- 7.4 Where the status of the unoccupied properties remains unchanged following the implementation of the proposals, additional Council Tax will be generated which contributes to the cost of local services.

8. LEGAL IMPLICATIONS

- 8.1 Sections 79 and 80 of The Levelling Up and Regeneration Act 2023 enable the Council to bring forward the application of the empty homes premium to one year rather than two, and to implement a premium on second homes. Exceptions to the premiums are set out within The Council Tax (Prescribed Classes of Dwellings and Consequential Amendments) (England) Regulations 2024.
- 8.2 In exercising its functions in relation to premiums, the Council must have regard to any guidance issued by the Secretary of State. Government has confirmed that further guidance on the application of the exceptions will be issued in due course, but at the time of writing this had not been received.
- 8.3 The decision to implement the revised empty homes premium must be taken before the financial year to which it relates, and a decision to implement the second homes premium must be taken at least one year before the beginning of the year to which it relates.
- 8.4 Section 67 (2) of The Local Government Finance Act sets out that the decision to introduce a premium can only be made by Full Council.

9. RESOURCE IMPLICATIONS

- 9.1 Whilst the primary objective of charging Council Tax premiums is to encourage empty dwellings back into use, additional income is generated via premiums applied to dwellings that remain empty.
- 9.2 The current empty homes premiums generate around £443k of additional Council Tax each year, of which the Council retains around 7%, or £30k.
- 9.3 Applying this premium at one year rather than two years could generate around £370k of additional Council Tax should these properties remain empty, of which the Council would retain around £25k.
- 9.4 Introducing a premium on second homes in the district could generate additional Council Tax of up to £600k pa should the status of these properties remain unchanged, with around £42k of this being retained by the Council.

10. OTHER IMPLICATIONS

- 10.1 An equalities impact assessment has been conducted which confirms that the decision to implement the additional Council Tax premiums would have no differential impact on protected characteristics. The full document can be found in APPENDIX B.

11. REASONS FOR THE RECOMMENDED DECISIONS

- 11.1 The application of additional premiums on empty and second homes is intended to encourage owners of such properties to bring these back into use.
- 11.2 Taking targeted action to bring empty homes back into use helps to tackle a number of social, economic and public health issues, as empty properties can provide opportunities for vandalism, fly-tipping and anti-social behaviour. Unsightly homes can have a negative impact on neighbouring properties and also reduce pride in the community.
- 11.3 The exceptions will ensure that the premiums are applied fairly and do not unfairly penalise owners who are taking steps to bring properties back into use.
- 11.4 A decision to charge the second homes premium must be taken at least one year before the year in which the charge applies, and whilst the earlier empty homes premium could be implemented with effect from 1st April 2025, the legislation setting out the detail of the exceptions has not yet been passed. Implementing both changes with effect from 1st April 2026 provides time for the policy to be adopted and for homeowners to be advised of the changes.

12. LIST OF APPENDICES INCLUDED

APPENDIX A – Current Levels of Council Tax Discounts and Premiums set Locally

APPENDIX B – Equalities Impact Assessment

13. BACKGROUND PAPERS

[Summary of responses and government's response to the consultation on proposals to exempt categories of dwellings from the council tax premiums in England - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/summary-of-responses-and-government-s-response-to-the-consultation-on-proposals-to-exempt-categories-of-dwellings-from-the-council-tax-premiums-in-england)

[Council Tax information letter 2/2024: proposals to exempt categories of dwellings from the council tax premiums in England - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/council-tax-information-letter-2-2024-proposals-to-exempt-categories-of-dwellings-from-the-council-tax-premiums-in-england)

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