

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 5 MARCH 2024
REPORT OF THE EXECUTIVE DIRECTOR (FINANCE AND TRANSFORMATION)

COUNCIL TAX SECOND HOMES AND EMPTY HOMES PREMIUM

1 Executive Summary

- 1.1 The government has taken steps to strengthen the existing long-term empty homes premium and to introduce a new second homes premium through the Levelling Up and Regeneration Act 2023 which makes amendments to the Local Government and Finance Act 1992. For the purposes of council tax, a long term empty home is a property which has been unoccupied and substantially unfurnished for a continuous period of at least 2 years and a second home is a furnished property which is no one's main residence.
- 1.2 Second homes are charged the full occupied rate of council tax. A premium is not available for such homes. This Council currently charges the following discretionary council tax premium on homes which have been empty for at least 2 years.
- 100% for properties empty for 2-5 years
 - 200% for properties empty for 5-10 years.
 - 300% for properties empty for 10+ years.
- 1.3 The purpose of this report is to advise Cabinet of the new discretionary powers that will be available to us to charge an empty homes premium after 12 months and give at least one year's notice before the beginning of the financial year to which it relates to charge a premium on all second homes. This will be effective from 1 April 2025.
- 1.4 The Levelling Up and Regeneration Act received Royal Assent 26 October 2023 and gives local authorities the power to charge a premium after one year rather than two years and introduces a second homes premium. There will be exceptions where a premium cannot be charged. This was not part of the Act and we await the Regulation to be laid for this. The exceptions listed in this report are based on the consultation exercise and how we expect these to be implemented.

2 Recommendation(s)

- 2.1 Cabinet recommends to Full Council that the current council tax 100% empty homes premium is applied after 12 months of a property being empty, instead of 24 months, and that this is effective from 1 April 2025. This will not be applied to the exempt categories of empty properties listed in this report.
- 2.2 Cabinet recommends to Full Council that 1 year's notice is provided to apply a 100% second homes premium, from 1 April 2025. This will not be applied to the exempt categories of second homes listed in this report.

- 2.3 Cabinet recommends to Full Council for delegated authority to be given to the Executive Director (Finance and Transformation) in consultation with the Executive Member for Resources to make any changes to the Empty Homes and Second Homes Premiums, following Regulations being laid.

3 Explanation

- 3.1 The long-term empty homes premium provides a positive incentive to encourage property owners to take steps to make more effective use of properties that have otherwise been left unoccupied. This will be reinforced by applying the premium to properties that have been empty and unfurnished for at least one year, rather than 2 years as is currently the case.
- 3.2 Where a property is exempt from council tax, it will also be exempt from both council tax premiums. Under existing legislation, homes that are empty where the occupant is living in armed forces accommodation for job-related purposes and annexes being used as part of a main property are exceptions to the long term empty premium. These existing exemptions will not be removed and such homes will not be subjected to a premium.
- 3.3 The empty homes and second homes premiums will not apply under the following circumstances:
- 3.3.1 Properties undergoing Probate - Unoccupied properties which have become vacant due to the death of the owner or tenant and where no one is liable for council tax except an executor or administrator, are exempt from council tax until probate is granted. These properties are exceptions to both the second homes and empty homes premiums for 12 months after probate has been granted. If the property is then put on the market for sale or let, the owner of the property would be able to apply for the 'sales or let' exception, resulting in a further 6 months exception period. As such, where both exceptions are granted, the maximum exception period would be up to 18 months.
- 3.3.2 Properties being actively marketed for sale or let - Empty properties that are being actively marketed for sale or to let are an exception to the council tax premiums. This exception would apply for up to a maximum of 6 months from the date that active marketing commenced, or until the property has been sold or rented, whichever is the sooner.
- 3.3.3 There may be periods where second homes are unoccupied between lets or while they are in the process of being sold. The owners of second homes will benefit from an exception to the second homes premium where the property is being actively marketed for sale or rent. This exception would apply for up to a maximum of 6 months and will mean that our student properties meeting this criterion would not be charged a premium during the summer months.
- 3.3.4 In order to qualify for an exception to the premiums, the owner (of either a long-term empty home, or a second home) would be expected to demonstrate they are actively marketing the property for sale or let at a reasonable price on the open market.
- 3.3.5 Empty properties undergoing major repairs - Where an owner of an empty and unfurnished property is undertaking major repair work or structural alterations to make it habitable, a premium will not be charged as soon as the property has been empty for 12 months. These properties will be an exception to the premium

for up to 6 months, after this 12 month period, once the exception has been applied and we are satisfied that the necessary repair work is being undertaken, or when the work has been completed, whichever is the sooner.

- 3.3.6 Annexes forming part of or being treated as part of the main home - Parts of a property constructed or adapted for separate occupation is generally treated as a separate property for the purposes of council tax. Certain annexes are exempt from council tax (unoccupied annexes which cannot be let separately and an annexe which is the main residence of a dependent relative), and these cannot be charged a premium. Separately, a 50% council tax discount may be available if the annexe is being occupied as the main residence by a relative of the council taxpayer of the main home and such properties would not be subject to a second home premium.
- 3.3.7 Job related properties - There is a council tax discount of up to 50% for properties which are unoccupied because the owner is required to live elsewhere for employment purposes. Such properties will be an exception to the second homes premium.
- 3.3.8 Occupied caravan pitches and boat moorings - There is a 50% council tax discount for properties that consist of a pitch occupied by a caravan, or a mooring occupied by a boat where they are not a person's main residence. These will be an exception to the council tax premium on second homes.
- 3.3.9 Seasonal homes where year-round or permanent occupation is prohibited - A furnished seasonal home which cannot be occupied throughout the year is charged a 50% second homes charge. These properties will be an exception to the standard second homes premium.

Implications

4 Legal Implication(s)

- 4.1 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 introduced provisions to increase the percentage by which a billing authority may increase the council tax payable in respect of a long-term empty properties. Section 11B of Local Government Finance Act 1992 was amended to incorporate this change.
- 4.2 Section 79 of the Levelling Up and Regeneration Act contains measures that would allow a council tax premium to be applied to second homes and for the existing empty homes premium to be applied after one year rather than two.

5 Financial Implication(s)

- 5.1 The changes to the empty homes premium and the introduction of a second homes premium could generate the additional council tax shown below based on the existing number of long-term empty properties. The values shown below are based on a 5% council tax increase on the band D average for 2024/25.

	100% Empty Homes premium after 1 year	100% Second Homes premium
<i>Potential Income</i>	£249,965	£548,988

WHBC's 11% share of income	£26,746	£58,742
Number of Properties	107	235

6 Risk Management Implications

6.1 A risk assessment has not been prepared in relation to the proposal in this report as there are no significant risks inherent in the proposals.

7 Security & Terrorism Implication(s)

7.1 There are no security and terrorism implications with the recommendation in this report.

8 Procurement Implication(s)

8.1 There are none.

9 Climate Change Implication(s)

9.1 The proposals in this report will not impact on greenhouse gas emissions.

10 Human Resources Implication(s)

10.1 There are none.

11 Health and Wellbeing Implication(s)

11.1 There are none.

12 Communication and Engagement Implication(s)

12.1 The proposal supports the Government's intention to bring empty properties back into use. A note advising residents of these changes will be added to our council tax web page.

13 Link to Corporate Priorities

13.1 The subject of this report is linked to the Council's Corporate Priority: A well run Council which puts our customers first.

14 Equality and Diversity

14.1 An initial impact assessment has been carried out on our proposed changes and there was not any negative impact identified on any of the protected groups under Equalities legislation.

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