

**Teignbridge District Council
Council
27 February 2024
Part i**

Council Tax Premiums

Purpose of Report

To seek affirmation of the Council decision made on 12th January 2023 to implement a Council Tax premium on 2nd homes and to bring forward the time period for levying a premium on empty homes from 2 years to 1 year.

Recommendation(s)

That Council resolves to:

- (a) Apply the current premium of 100% for all dwellings which are unoccupied and substantially unfurnished (empty dwellings) after 1 year instead of 2, with effect from 1st April 2024;
- (b) Apply a premium of 100% for all dwellings which are unoccupied but substantially furnished with effect from 1st April 2025;
- (c) Approve the policy detailing the Council's approach to the levying of the empty and second homes premiums; and
- (d) Authorise the S151 Officer to implement the policy in line with any guidance given by the Secretary of State.

Financial Implications

The financial implications are set out in paragraphs 4.1 to 4.5 of the report.

Martin Flitcroft – Chief Finance Officer and Head of Corporate Services
Email: martin.flitcroft@teignbridge.gov.uk

Legal Implications

The Legal implications are set out in paragraphs 4.6 to 4.8 of the report.

Paul Woodhead – Head of Legal Services and Monitoring Officer
Email: paul.woodhead@teignbridge.gov.uk

Risk Assessment

The risks are set out in paragraphs 4.9 to 4.11 of the report

Tracey Hooper – Service lead for Revenue, Benefits and Customer Support
Email: tracey.hooper@teignbridge.gov.uk

Environmental/ Climate Change Implications

There are no environmental or climate change implications associated with the recommendations of this report.

William Elliott
Climate Change Officer
william.elliott@teignbridge.gov.uk

Report Author

Tracey Hooper Service Lead for Revenue, Benefits and Customer Support
Email: tracey.hooper@teignbridge.gov.uk

Executive Member

Cllr Richard Keeling – Executive Member for Corporate Resources

Appendices/Background Papers

Minutes – Full Council 12 January 2023.
Draft Empty Homes & Second Homes Premium Policy 2024-25 – Appendix 1
Equality Impact Assessment – Appendix 2

1. Introduction

- 1.1 In January 2023, subject to the Levelling Up and Regeneration Bill receiving Royal Assent, Council agreed to introduce the following changes to council tax premiums:
 - Apply the current premium of 100% for all dwellings which are unoccupied and substantially unfurnished (empty dwellings) after 1 year instead of 2, with effect from 1st April 2024;
 - Apply a premium of 100% for all dwellings which are unoccupied but substantially furnished with effect from 1st April 2025
- 1.2 The Levelling Up and Regeneration Bill received Royal Assent on 26th October 2023. The Council now needs to affirm its decision to adopt these changes.
- 1.3 The Government proposes to introduce a number of exemptions to the second homes and empty homes premium. It issued a consultation paper in July 2023 but has yet to issue formal guidance. The draft policy at Appendix 1 makes provision for these exemptions to be recognised once the formal guidance is available.
- 1.4 Legislation requires that twelve months' notice is given for 100% premium on properties which are unoccupied but substantially furnished. Therefore, this premium, if confirmed, will take effect from 1st April 2025.

- 1.5 The change to the empty home premium, does not require a notice period and will take effect from 1st April 2024.
- 1.6 When determining its policy, each billing authority must decide the level of charge (or discount) by the 31 March prior to the financial year in which it wants to introduce the changes.
- 1.7 The Council is therefore required to determine the level of any discounts or premiums which will apply in its area and a decision is required to be made by Full Council under Section 11A and 11B of the Local Government Finance Act 1992.
- 1.8 Once determined, the resolution of the Council will need to be published in at least one local newspaper(s) within 21 days of the decision.

2. Background

2.1 Premiums were introduced by Government in 2013 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, since 2019, legislation 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%.

NB. These premiums are charged **in addition** to the 100% Council Tax already payable

- 2.2 Prior to the Levelling Up and Regeneration Act 2023, there has been no provision to charge any amount exceeding 100% for second homes (unoccupied but substantially furnished properties).
- 2.3 Government, together with local authorities, has unfortunately seen a rise in the number of empty dwellings together with a growth in second homes. Inconsistencies in the legislation have also been identified where a premium can be avoided by the taxpayer merely furnishing an empty premises, whereupon it would become a 'second home' which currently has a maximum charge of 100%.
- 2.4 Clauses within the Levelling Up and Regeneration Act have been introduced in order to address these inconsistencies and to encourage more dwellings into use.

3. Premiums – generally

- 3.1 In line with all similar legislation, any decision must be publicised in at least one local newspaper, within 21 days of its being taken by full Council.
- 3.2 Should the Council at any time wish to vary or revoke a decision to impose any type of premium this can be done at any time before the beginning of the financial year to which it would apply.
- 3.3 The Secretary of State has the power to prescribe certain classes of property that will not be subject to an empty dwelling premium. Currently these are homes that are empty due to the occupant living in armed forces accommodation for job-related purposes, or to annexes being used as part of a main property. It is expected that when regulations are laid, similar exceptions will apply to second homes premiums.
- 3.4 Incentivising empty homes back into use are key strands of both our homelessness and housing strategies. At the time of writing this report, we have approximately 1,450 people with a registered housing need on our social housing register (Devon Home Choice). In addition, approximately 60 households per month approach our Housing Solutions Service in order to make a statutory homeless application. There is a shortage of affordable private rented accommodation locally. As a result, we are seeing increasing numbers of households in temporary accommodation for long periods because finding suitably affordable 'move-on' accommodation is so challenging. Increasing the supply of suitable affordable private rented accommodation is of paramount importance if we are to reduce levels of homelessness and address the housing need of local residents.

4. Implications, Risk Management and Climate Change Impact

Financial

- 4.1 This policy will provide additional revenue to the collection fund. This income is shared between the Council, the major precepting authorities (County; Police and Fire) as well as local precepting authorities, in line with their share of the council tax.

Second homes premium

- 4.2 Based on high level analysis of current council tax datasets the application of a 100% premium on unoccupied and substantially furnished property (second homes) could generate additional income of around £2.7 million subject to the Bill receiving Royal Assent and any specific Government guidance. But please note the caveats set out in 2.4 below relating to exemptions, quality of data, and changes in resident behaviour. Our records indicate that we have around 1,260 properties that are furnished but not currently used as anyone's sole or main residence.
- 4.3 Teignbridge would retain around 8% (up to £216,000) of this additional income. NB. The actual amount of additional income generated could be significantly lower as a result of the concerns noted in 4.4 below.

- 4.4 The number of properties liable for the premium is likely to reduce once the Government proposed exemptions take effect. It is impossible to predict how many properties will benefit from an exemption at this stage. Given that the Council Tax levied on second homes mirrors that for main residences, there may also be issues with the current classification of properties within our Council Tax database, and the application of a second homes premium may prompt owners to reclassify properties for genuine reasons; reducing the potential revenue that might be derived from the premium and the figures quoted above. It is also impossible to predict how many council taxpayers will decide to sell, let out, or move into their property because of the premium.

Empty homes premium after 1 year instead of 2

- 4.5 Based on current data, there are 134 empty and unfurnished properties that have been empty and unfurnished for a period of 12 months or more. If the premium were applied to these properties now, this would generate in the region of £277,000 based on current values (approximately £22,160 to Teignbridge @ 8%). These numbers are fluid and may not be representative of the number of empty properties on our records as at 1st April 2024 when the premium would take effect. These figures may also be impacted by the factors noted in 4.4 above.

Legal

- 4.6 The legislation that covers this report and the recommendations made is as follows:
- S11A & S11B of the Local Government Finance Act 1992
 - S11C of the Local Government Finance Act 1992 (as introduced by the Levelling Up and Regeneration Bill (Bill 169 2022-23)); and
 - Levelling Up and Regeneration Bill (Bill 169 2022-23).
- 4.7 Where the recommendations are accepted, a resolution is to be made by Full Council. The decision needs to be published in at least one local newspaper within 21 days of the decision having been made.
- 4.8 The Council will be required by statute to be mindful of any guidance issued by the Secretary of State. The draft policy makes provision for premiums to be applied in line with this Government guidance.

Risks

- 4.9 The recommendations are considered to be low risk. This is because premiums apply only to dwellings that are empty or are not used as someone's main place of residence. Bringing these dwellings back into use will support the Council's Empty Homes Strategy and potentially will increase the level of income available to the Council and preceptors.
- 4.10 There is a potential risk that some of these homeowners may struggle financially to pay additional amounts of council tax. However, this could provide an opportunity to engage with owners regarding how the property could be brought back into use. Billing authorities also have discretion to reduce or remit council

tax in exceptional circumstances using S13A Local Government Finance Act 1992(as amended). This provides a safety net which can be used to provide merits-based support where appropriate.

- 4.11 The amount of income generated from this proposal may be less than anticipated for the reasons outlined in 2.4 above,

Environmental/Climate Change Impact

- 4.12 There are no environmental or climate change impacts arising from this report.

Equality Impacts

- 4.13 There are no identified equality impacts arising from this report. An equality Impact Assessment has been completed and is attached as an appendix to this report. Members are reminded to have due regard to this assessment before making any decisions in relation to this report.

5. Alternative Options

- 5.1 The alternative to implementing these recommendations would be to leave the existing premiums in place. This would weaken the incentive for owners of empty homes and properties not in use as a main residence, to bring these properties back into use. It would also miss an opportunity to generate much needed additional income for Teignbridge and other precepting authorities.