

BABERGH DISTRICT COUNCIL

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| TO: Council | REPORT NUMBER: BC/23/37 |
| FROM: Cllr Jessie Carter, Cabinet Member for Housing | DATE OF MEETING: 20 February 2024 |
| OFFICER: Director of Housing - Deborah Fenton / Corporate Manager Housing Solutions – Amma Antwi-Yeboah | KEY DECISION REF NO. N/A |

EMPTY HOMES AND SECOND HOMES POLICY

1. PURPOSE OF REPORT

- 1.1 This report provides an overview of the current Council Tax charges levied on long term empty properties and second homes within Babergh and proposes changes to the policy in respect of premiums from 1st April 2024 in line with recent changes in legislation.

2. OPTIONS CONSIDERED

Option 1 – Introduce the 2023 changes to the empty homes premium and introduce a premium for dwellings periodically occupied (second homes).

- 2.1 In line with the draft policy in Appendix A, implement the proposed changes to introduce a premium of 100% for second homes from 1st April 2025, reduce the time period for empty premiums to 12 months from 1st April 2024.

Implementing the changes will generate additional income and incentivise bringing unoccupied properties back into use.

Implement only one of the proposed changes.

- 2.2 Implement only one of the proposed changes. This could be either implementing a premium of up to 100% for second homes and leaving the current long term empty qualifying time period for the premium at 2 years. Alternatively, it could just be reducing the long-term empty premium qualification time from two years to one, and not implementing any change for second homes.

This would have the same benefits as option 1 but to a lesser scale.

Do Nothing

- 2.3 Do nothing, leave existing premiums in place for long term empty properties, namely that they would be applied after the two-year period. Do not introduce a premium for second homes.

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| <p>3. RECOMMENDATIONS</p> <p>3.1 That Council approve the empty homes and second homes premiums policy for 2024-25 attached in Appendix A.</p> <p>3.2 That Council delegate authority to the Director of Housing in consultation with the Cabinet Member for Housing to make technical amendments to the policy to ensure it meets the criteria set by Government and the Council.</p> |
| <p>REASON FOR DECISION</p> <p>To maximise revenue, but more importantly to incentivise owners to bring empty and under-utilised properties back into use.</p> <p>To ensure the policy is kept in line with Government regulations.</p> |

4. KEY INFORMATION

- 4.1 Prior to April 2013 billing authorities could charge up to a maximum of 100% Council Tax on dwellings that had been unoccupied and substantially unfurnished for more than two years (long-term empty dwellings). From April 2013 billing authorities were given powers to charge a premium of up to 50% of the Council Tax payable in these circumstances. The intention of the premium was to encourage homeowners to occupy homes and not leave them vacant in the long term.
- 4.2 In 2018 the Rating of Property in Common Occupation and Council Tax (Empty Dwellings) Act allowed billing authorities to increase the levels of premiums on long-term empty dwellings with effect from 1 April 2019 as follows:
- Dwellings left unoccupied and substantially unfurnished for 2 years or more, - from 1April 2019 a premium can be levied up to 100%
 - Dwellings left unoccupied and substantially unfurnished for 5 years or more, - from 1April 2020 a premium can be levied up to 200%; and
 - Dwellings left unoccupied and substantially unfurnished for 10 years or more, - from 1April 2021 a premium can be levied up to 300%.
- 4.3 Babergh used this discretion and implemented the revised premiums mentioned above in 4.2 to provide an incentive to bring long term empty properties back into use. The table below shows the number of premiums on the first Monday in October from 2019 to 2023.

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------|-------------|-------------|-------------|-------------|-------------|
| 2 – 5 yrs | 73 | 51 | 31 | 62 | 67 |
| 5 – 10 yrs | | 28 | 7 | 14 | 9 |
| >10 yrs | | | 13 | 14 | 11 |

- 4.4 The Levelling Up and Regeneration Act 2023 provides for further changes whereby it permits the Council to impose an empty homes premium on long-term empty dwellings after one year instead of two years from the 1st April 2024.
- 4.5 Alongside changes to the empty home premium, the Levelling Up and Regeneration Act 2023 also introduces the ability to charge a Council Tax premium of up to 100% on dwellings which are occupied periodically (properties that are substantially furnished but no one's sole or main residence, second homes).
- 4.6 Unlike the changes to the long-term empty home's premium, which can be implemented from the 1st April 2024, a decision to implement a premium on second homes must be taken at least 12 months before the financial year to which it would apply. In other words, the earliest it could take effect would be 1st April 2025.
- 4.7 The Government have indicated that there will be some exceptions to both the long-term empty premium and second home premium being charged. Regulations are expected that cover these exceptions in the new year. As a guide, listed below are the exceptions listed in a previous Government consultation.
- Properties undergoing probate.
 - Properties that are being actively marketed for sale or rent.
 - Empty properties undergoing major repairs.
 - Annexes forming part of, or being treated as, part of the main dwelling.
 - Job related dwellings.
 - Occupied caravan pitches and houseboat moorings.
 - Seasonal homes where year-round or permanent occupation is prohibited or has been specified for use as holiday accommodation or prevents occupancy as a person's sole or main residence.
- 4.8 An analysis has been undertaken to look at the current situation and what that might look like if the 2023 changes are implemented. The table below shows the number of second homes and long-term empty properties as of 15th November 2023 by Council Tax band:

| | A | B | C | D | E | F | G | H | Total |
|--------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|--------------|
| Second Homes | 116 | 108 | 105 | 88 | 54 | 44 | 46 | 15 | 576 |
| Empty/Unfurnished > 4wks | 96 | 144 | 111 | 69 | 44 | 34 | 8 | 1 | 507 |
| Empty/Unfurnished 2 – 5 years | 14 | 17 | 15 | 10 | 7 | 4 | 2 | 1 | 70 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|----|
| Empty/ Unfurnished 5 – 10 years | 3 | 0 | 1 | 2 | 1 | 1 | 0 | 0 | 8 |
| Empty/ Unfurnished > 10 years | 2 | 2 | 3 | 2 | 0 | 0 | 2 | 0 | 11 |

- 4.9 The table below shows a breakdown of the long-empty properties on 15th November 2023 but forecasting the situation as of 1 April 2024 for the introduction of premium after 12 months, by Council Tax band:

| Long-term empty Period | A | B | C | D | E | F | G | H | Total |
|-----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|--------------|
| 12 months to 2 years | 21 | 46 | 38 | 24 | 13 | 12 | 3 | 1 | 158 |

- 4.10 You can see from the table in 4.9 that introducing the premium after 12 months will significantly increase the number of properties charged.
- 4.11 Considering the recent changes introduced by the Government and the number of empty and second homes, it would be an ideal time to review and update the current scheme for premiums.

5. LINKS TO CORPORATE PLAN

- 5.1 The policy supports the Council's objectives in respect of housing, wellbeing and communities and the economy.

6. FINANCIAL IMPLICATIONS

- 6.1 Initial high-level analysis suggests that the adoption of a 100% premium on long-term empty homes after 12 months could generate an additional £300,689 in Council Tax revenues (based upon the 23/24 Council Tax rate). Income generated would be shared across the preceptors, this would be £27,062 for Babergh
- 6.2 Introducing a 100% premium for periodically occupied dwellings (second homes) could generate around £1.1m in additional Council Tax revenue (based upon the 23/24 Council Tax rate). Like the long-term empty premium, the income generated would be shared across the preceptors. this would be £106,000 for Babergh.
- 6.3 However, it needs to be recognised that this estimate could be reduced once the Government legislates for the exceptions.
- 6.4 It also should be noted that these changes will also impact on the Housing Revenue Account if there are Council owned properties that meet the qualifying criteria.
- 6.5 The introduction of the premiums is to support bringing properties back in to use. If successful, the income generated from premiums should reduce over time.

7. LEGAL IMPLICATIONS

7.1 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 Act 2023)
- The Levelling Up and Regeneration Act 2023
- S13A(1)(c) Local Government Finance Act 1992

8. RISK MANAGEMENT

8.1 This report is most closely linked with the Council's Significant Risk No. SRR004MSDC – We may be unable to respond in a timely and effective way to financial demands.

| Key Risk Description | Likelihood 1-4 | Impact 1-4 | Key Mitigation Measures | Risk Register and Reference* |
|--|-------------------|---------------|---|--|
| Babergh District Council may be unable to react in a timely and effective way to financial demands | 3 | 4 | Monitoring and reporting of financial forecast Capital reserves. SLT position review workshops Cabinet briefings to review position and budget options. Budget approval Internal and external audits | SRR004MSDC |
| The additional premiums are difficult to collect | 3 | 3 | Regular review of cases All enforcement remedies will be used. | |
| The long-term empty premium is levied against a Council Taxpayer who is unable to bring the property back into use | 2 | 3 | The provision of Empty Homes and renovation Loan to help homeowners to bring the property back into occupation. Empty Homes Officers to provide support and guidance. | Operation Risk Register Housing Solutions and 050 |
| The implementation of these premiums may cause exceptional hardship to a taxpayer | 2 | 2 | Consider such cases under the Council's Council Tax discretionary hardship scheme. | |

*Name of risk register where risk is currently documented and being actively managed and its reference number

9. CONSULTATIONS

- 9.1 Consultations have taken place with Assistant Directors, Corporate Managers, and other Budget Managers as appropriate.
- 9.2 There is no statutory requirement to consult on these proposals. However, contact will be made with those Council taxpayers likely to be subject to the changes prior to annual bills being issued in March 2024.

10. EQUALITY ANALYSIS

- 10.1 EQIA screening please the attached Appendix (b).

11. Environmental Implications

There are no negative Environmental impacts directly associated with this report and policy.

12. APPENDICES

| | Title | Location |
|-----|---|-----------------|
| (a) | Empty Homes and Second Homes Premium Policy 2024-25 | Attached |
| (b) | EQIA - Empty Homes and Second Homes Premium Policy 2024 | Attached |

13. REPORT AUTHORS

- *Amma Antwi-Yeboah Corporate Manager – Housing Solutions*
- *Andrew Wilcock – Joint Head of SRP*