

FAREHAM

BOROUGH COUNCIL

Report to Council

23 February 2024

Subject: **COUNCIL TAX LONG TERM EMPTY AND SECOND HOMES PREMIUM CHARGES**

Report of: **Chief Executive Officer**

SUMMARY

This report recommends the adoption of discretionary changes to Council Tax premiums on Long Term Empty Properties and Second Homes. It also seeks approval of the changes to the Council Tax Discounts and Exemptions Policy (Appendix A).

These changes are driven by The Levelling Up and Regeneration Act 2023, a wide-ranging bill which also gives Councils the power to levy a Council Tax Premium of up to 100% on these types of properties. The main objective of these powers is to help with the housing shortage and provide incentives for all properties to become occupied.

Billing authorities intending to adopt these changes are required to declare their intentions at least 12 months prior to the financial year in which the changes come into force. So, the Council is required to notify those property owners affected by any change, in advance of 01 April 2024.

RECOMMENDATION

It is recommended that the Council agrees:

- (a) a new 100% premium on second homes and restricted second homes after 12 months, from 1 April 2025;
- (b) an earlier 100% premium for Long Term Empty Properties which have been empty and unfurnished for a period between 1 and 5 years (previously a period between 2 and 5 years);
- (c) the Council's Section 151 Officer be granted delegated power to waive these premiums or alter the policy in exceptional circumstances after consultation with the Executive portfolio holder with responsibility for Local Tax Collection; and
- (d) an update to the Council Tax Discounts, Exemption and Premiums Policy, (Appendix A to this report).

INTRODUCTION

1. Fareham Borough Council is a designated Billing Authority and responsible for the collection of Council Tax and distributing it to the precepting bodies. Council Tax is a local contribution to the many services provided in the borough by Fareham Borough Council, Hampshire County Council, Hampshire Police & Crime Commissioner and Hampshire Fire and Rescue Service.
2. Some properties or households are eligible for discounts, reliefs, or exemption from Council Tax, or have premiums added where the property has been empty for more than 2 years. Most of these adjustments are mandatory reductions and contained in Legislation, other adjustments are discretionary and can be set locally by the Council. A full summary of all current Council Tax reductions is attached in the Council Tax Discounts, Exemption and Premiums Policy (Appendix A).
3. This report seeks approval for some proposed changes to Council Tax Premiums in relation to Long Term Empty Properties and Second Homes.

BACKGROUND

4. The Levelling Up and Regeneration Act 2023 (Regulation 79 and 80) empowers Councils to apply a premium on properties left empty for more than 1 year. The legislation recognises the impact that high levels of second home ownerships can have in some areas and seeks to encourage owners to bring empty properties back into use sooner.
5. Whilst the introduction of this premium is at the discretion of local Councils, Fareham has a shortage of affordable residential accommodation and there are currently 592 people on the housing waiting list.
6. Premiums can be charged currently where properties are left unoccupied and unfurnished for periods exceeding two years. This new legislation allows Billing Authorities to:
 - Reduce the minimum period for the implementation of a Council Tax premium for Long Term Empty properties from two years to one year; and
 - Introduce a Council Tax premium of up to 100 per cent in respect of second homes.
7. Previously when implementing Premiums, we have seen some owners avoiding the charge by furnishing the empty property, because premiums were not payable on furnished unoccupied properties. This change in Legislation will also close that avenue of avoidance.
8. Billing authorities wishing to adopt these changes specifically for Second Homes, are required to make a Council resolution confirming their requirements at least 12 months prior to the financial year in which the changes will come into effect. This means that to implement the changes from 1 April 2025, the resolution must be made before 1 April 2024.

Current Premiums Charged

9. Currently there are premiums on Long Term Empty properties after 2 years. This

decision to implement premiums was originally implemented from 2013 and changed to represent what we see below in 2019 and 2020.

10. Additional premiums still come into force after the property has been empty for more than 5 years (200%) or more than 10 years (300%). Currently we have 140 premiums chargeable levied as detailed below:

CT Bands	A	B	C	D	E	F	G	H	Total
100% Premium After 2 years	12	7	21	54	12	3	13	1	123
200% Premium After 5 years	1	3	3			2			9
300% Premium After 10 years	3	1	1			2	1		8
Total	16	11	25	54	12	7	14	1	140

Long Term Empty Property

11. A long-term empty property is an unoccupied and unfurnished dwelling.
12. We currently have 629 Long-Term Empty properties and 81 of these have been unoccupied for more than 12 months but not more than 24 months:

Period	< 6 Months	6 months to 1 Year	1 to 2 Years	Total
Number of Properties	432	116	81	629

13. This change would result in adding a premium of 100% to those 81 Councils Taxpayers, which will in effect double their Council Tax bill after the first 12 months. The duration of each Council Tax charge and period may rise and fall during the financial year. However, the table below is an estimate of the value of adding the new premium levy to Long-Term Empty properties after 12 months. The additional income is detailed below:

CT Band	A	B	C	D	E	F	G	H	Total
Number	9	13	24	13	9	7	5	1	81
£ Annual Council Tax	1,315.07	1,534.25	1,753.42	1,972.60	2,410.95	2,849.31	3,287.67	3,945.20	
£ Total Premium Levy	11,835.63	19,945.25	42,082.08	25,643.80	21,698.55	19,945.17	16,438.35	3,945.20	161,534.03
Additional Premium Share									
Fire	536.20	813.28	1,715.76	1,045.59	884.70	813.26	670.25	160.86	6,639.90
Fareham	1,203.10	1,824.68	3,849.84	2,345.98	1,985.04	1,824.62	1,503.85	360.92	14,898.03
Police	1,676.40	2,542.54	5,364.48	3,268.98	2,766.06	2,542.54	2,095.50	502.92	20,759.42
HCC	9,735.00	14,764.75	31,152.00	18,983.25	16,062.75	14,764.75	12,168.75	2,920.50	120,551.75

Second Homes

14. Second Homes are furnished properties which are not a person's sole or main

residence. This therefore excludes second homes owned by someone who lets it out to another party as their sole or main residence. Currently there are no premiums on Second Homes. Discounts were discontinued in 2020 so owners currently pay the full rate of Council Tax.

15. We currently have 224 properties classed as Second Homes.

Period	< 6 Months	6 months to 1 Year	1 to 5 Years	5 to 10 years	10 Years plus	Total
Number of Properties	40	23	71	45	45	224

16. The duration of each charge may rise and fall during the financial year; the table below is therefore an estimate of the value of adding a premium levy on second homes. In a full year, an added premium could give rise to additional income as detailed below:

CT Band	A	B	C	D	E	F	G	H	Total
Number	21	56	62	45	35	17	11	4	251
£ Annual Council Tax	1,315.07	1,534.25	1,753.42	1,972.60	2,410.95	2,849.31	3,287.67	3,945.20	
£ Total Additional Levy	27,616.47	85,918.00	108,712.04	88,767.00	84,383.25	48,438.27	36,164.37	15,780.80	495,780.20
Additional Premium Share									
Fire	1,126.02	3,503.36	4,432.38	3,619.35	3,440.50	1,975.06	1,474.55	643.44	20,214.66
Fareham	2,526.51	7,860.16	9,945.42	8,120.70	7,719.60	4,431.22	3,308.47	1,443.68	45,355.76
Police	3,520.44	10,952.48	13,858.24	11,315.70	10,756.90	6,174.74	4,610.10	2,011.68	63,200.28
HCC	20,443.50	63,602.00	80,476.00	65,711.25	62,466.25	35,857.25	26,771.25	11,682.00	367,009.50

17. It is proposed that after 1 April 2025, second homes premiums will only be levied after 12 months has elapsed from the property being considered as second home. This time delay mirrors the delay on Long Term Empty Properties.

Second Homes (Restricted)

18. These types of Second Homes are furnished properties which are not a person's sole or main residence, which have a planning condition controlling periods of occupancy. Currently there are no premiums on this type of Second Home.

19. We have 47 Second Homes (Restricted) of all which have been classed as such for some time. These properties are caravans and chalets at Solent Breezes that have the planning restrictions controlling occupancy.

20. The Table below is an estimate of the value of adding a premium levy on Second Homes (Restricted). The duration of each charge may rise and fall during the

financial year. In a full year, an added premium could give rise to additional income as detailed below:

CT Band	A	B	C	Total
Number	1	1	45	47
£ Full Charge	1,315.07	1,534.25	1,753.42	
£ Total Additional Levy	1,315.07	1,534.25	78,903.90	81,753.22
Assume reduction for Restricted Occupation	1,008.82	1,176.96	60,529.02	62,714.80
Additional Premium Share				
Fire	41.13	47.99	2,467.87	2,557.00
Fareham	92.29	107.67	5,537.44	5,737.41
Police	128.60	150.03	7,716.03	7,994.67
HCC	746.79	871.26	44,807.67	46,425.73

21. It is proposed that after 1 April 2025, second homes premiums will only be levied after 12 months has elapsed from the property being considered as second home. This time delay mirrors the delay on Long Term Empty Properties.

Exceptions from the premiums (Long Term Empty homes and Second Homes Premiums)

22. The government issued a consultation paper “Consultation on proposals to exempt categories of dwellings from the Council Tax premiums in England”. The consultation (which has now ended), sought views on possible categories of dwellings which should be dealt with as exceptions to the Council Tax premiums. It covers the empty homes premium, and second homes premium, provisions which are included within the Levelling-up and Regeneration Act 2023.

23. The consultation proposed that there were circumstances where either premiums would not apply, or be deferred for a defined period of time. These were listed as follows:

- **Properties undergoing probate (Deceased’s Estate)** - these properties should be exceptions to both the Long-Term Empty and Second Homes premiums. The exception would start once probate or letters of administration is granted.
- **Properties that are being actively marketed for sale or rent** - 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.
- **Empty properties undergoing major repairs** - - empty properties undergoing major repair works or structural alternations should be an exception to the premium for up to 6 months once the exception has been applied or when the work has been completed, whichever is the sooner.
- **Annexes forming part of, or being treated as, part of the main dwelling** - these types of annexes should be an exception to the Council Tax premium on second homes.
- **Job related dwellings** - currently, 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. The discount applies where the dwelling is provided for the better performance of the duties of the employment, and it is one of the kinds of employment in the case of which it is customary for employers to provide dwellings for employees. It is proposed by Government that the dwelling should also be an exception to the second homes premium.

- **Occupied caravan pitches and houseboat moorings** - the Government proposes that such caravans and boats should be an exception to the Council Tax premium on second homes.
- **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** - properties that have restrictions or conditions preventing occupancy for a continuous period of at least 28 days in any 12-month period, or specifies its use as a holiday let, or prevents occupancy as a person's sole or main residence, should be an exception to the second homes premium.

24. In accordance with the Levelling Up and Regeneration Bill, in exercising their functions under this section, Councils must have regard to any guidance issued by the Secretary of State. This guidance has not been issued yet, so it is recommended that the Council's Section 151 Officer is granted delegated powers to amend the Council's policy on Council Tax premiums if appropriate, to be in line with Government requirements, once known.

25. In applying the current empty property premiums, there have been some appeals from householders expressing exceptional circumstances, such as ill-health preventing them bringing the property to the market. As part of these proposals, it is therefore recommended that an appeals process is formalised, as being at the Section 151 Officer's discretion in consultation with the Executive portfolio holder for local tax collection.

RISK ASSESSMENT

26. An Equality Impact Assessment was carried out by the Government to support the introduction of this new legislation and the Council is satisfied that, having regard to the exemptions provided within its scheme as mitigation, no further detailed impact assessment is required. There are no significant risk considerations in relation to this report.

27. There is a risk of inconsistency in the treatment of long-term properties and second homes in neighbouring Councils.

CONCLUSION

To agree the latest discretionary reductions and premiums set out in Section 9.4 of Appendix A to this report.

Appendices: Appendix A, Current Council Tax Discount and Exemption Policy.

Background Papers: None

Reference Papers: [Levelling-up and Regeneration Act 2023 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

Contact: For further information please contact Adrian Collier (01329 824632)