



<b>Title of meeting:</b>	Cabinet
<b>Date of meeting:</b>	07 March 2023
<b>Subject:</b>	Council Tax Premiums on Second Homes and Empty Properties
<b>Report by:</b>	Director of Finance and Resources
<b>Wards affected:</b>	All
<b>Key decision:</b>	Yes/No
<b>Full Council decision:</b>	Yes/No

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## **1. Purpose of report**

- 1.1 The Levelling Up and Regeneration Bill is currently in the House of Lords, having had its second reading on 17 January 2023. The bill is currently timetabled to move to committee stage from 20 February 2023.
- 1.2 The Bill itself is wide-ranging, including devolution provisions across England, and enhancements to Local Authorities' abilities to move forward regeneration schemes.
- 1.3 If enacted, the Bill also allows councils to:
  - i) Levy a council tax premium on second homes of up to 100%; and
  - ii) Permits a council tax premium on empty properties at an earlier point than legislation currently permits.
- 1.4 Billing authorities intending to adopt any changes arising from the Levelling Up and Regeneration Bill are required to declare their intentions at least 12 months prior to the financial year in which the changes come into effect. This means the Bill will need to obtain Royal Assent prior to 31 March 2023, to adopt any changes for the financial year commencing 01 April 2024. Such a decision can only be made once the legislation is in force.
- 1.5 Portsmouth City Council must adopt policies for the application of council tax premiums, and this report therefore aims to notify Members that there is forthcoming legislation to apply council tax premiums on empty properties and second homes.

## **2. Recommendations**

- 2.1 It is recommended that Full Council declares its intention to implement and approve the following additional council tax premiums, to be applied from 01 April 2024, or as

soon as possible thereafter, subject to the legislation being in place:

- i) A 100% premium for second homes;
- ii) A 100% premium for properties that have been empty and unfurnished for a period between 1 and 5 years - this will change the current policy of charging a 100% premium where a property is empty and unfurnished for a period between 2 and 5 years.

### **3. Background**

#### Premiums on Empty Properties

- 3.1 Billing Authorities are encouraged to adopt council tax premiums on empty properties to incentivise property owners to bring properties back into use. At present, premiums can be charged where properties are left empty and substantially unfurnished for periods of two years or more.
- 3.2 Where a dwelling remains unoccupied and substantially unfurnished for a period of two years or more, the City Council has previously resolved to charge an empty homes premium of the relevant maximum in addition to the full council tax charge. The relevant maximum is:
  - 100% for dwellings that have remained unoccupied and substantially unfurnished for a period of less than 5 years;
  - 200% for dwellings that have remained unoccupied and substantially unfurnished for a period of at least 5 years;
  - 300% for dwellings that have remained unoccupied and substantially unfurnished for a period of at least 10 years

#### Premiums on Second Homes

- 3.3 In May 2022 Government published the Levelling Up and Regeneration Bill, which includes proposals to further address empty properties via the application of council tax premiums, as well as measures that recognise the impact that high levels of second homes can have in some areas.
- 3.4 Where a dwelling is classified as a second home, the City Council has previously resolved to award a second home discount of 0%, in essence meaning that the full council tax charge is levied on second homes. Until the Levelling Up and Regeneration Bill is enacted, the City Council has no powers to apply a premium to second homes.
- 3.5 Through the Levelling Up and Regeneration Bill, it is the Government's intention to:
  - Reduce the minimum period for the implementation of a council tax premium for empty properties from two years to one year, and
  - Allow local authorities to introduce a council tax premium of up to 100% in respect of second homes.

- 3.6 The recommendations in paragraph 2.1 are dependent on the Levelling Up and Regeneration Bill receiving Royal Assent and to become effective from 01 April 2024. Unless altered, the Bill in its current form requires the Council to make a resolution confirming their intentions on the application of the premiums at least 12 months prior to the financial year in which the changes will come into effect. This will mean that Royal Assent would be required to be obtained prior to 31 March 2023 in order for the Council to be given powers to make a resolution and adopt the changes for the financial year commencing 01 April 2024.
- 3.7 It is anticipated that the Bill is unlikely to complete its passage by 31 March 2023 but it is prudent for the Council to declare its intention to implement the recommendations in the event that it does so that there is a possibility that the additional premiums can come into effect from April 2024. Should the Regeneration Bill receive Royal Assent after 31 March 2023, the earliest that the premiums may be effective from is 01 April 2025, however final details will be understood once the Bill has been passed.

#### **4. Reasons for recommendations**

- 4.1 The Bill proposes changes to legislation that allows councils to apply a premium on second homes and empty properties, and this allows councils to raise additional revenue and to acknowledge the impact that second and empty homes can have on some communities. In particular, in the case of empty properties, this may incentivise property owners to bring properties back into use.
- 4.2 If these changes bring empty properties back into use, it would be supporting the demand for housing within the City.
- 4.3 If these changes increase revenue via Council Tax, it similarly provides opportunities to support the Council's objectives, though ultimately it will be for the Council to establish the best use of any additional income when setting future budgets.
- 4.4 Initial analysis shows that the application of a 100% premium on second homes could increase the level of collectable council tax by approximately £2m, (see Table 1 on the next page).

**Table 1:**

**Potential council tax revenue generated from a 100% premium on second homes** (Figures as at 07/02/2023 based on 22/23 charges).

Properties	Number of properties	Current 2022/23 Band Charge £	Current Value £	Value with 100% premium £ *
Band A	736	£1,254.90	£923,606.40	£1,847,212.80
Band B	197	£1,464.05	£288,417.85	£576,835.70
Band C	121	£1,673.20	£202,457.20	£404,914.40
Band D	91	£1,882.35	£171,293.85	£342,587.70
Band E	89	£2,300.65	£204,757.85	£409,515.70
Band F	65	£2,718.94	£176,731.10	£353,462.20
Band G	19	£3,137.25	£59,607.75	£119,215.50
Band H	1	£3,764.70	£3,764.70	£7,529.40
Total	<b>1319</b>		<b>£2,030,636.70</b>	<b>£4,061,273.40</b>

\* excludes any amount for non-collection, or for any changes in usage of the dwelling.

- 4.5 Initial analysis shows that the application of a 100% premium on properties that are empty for more than one year but less than two may increase the level of collectable council tax by approx. £447,000 (see Table 2 below).

**Table 2:**

**Potential council tax revenue generated from a 100% premium on properties empty for more than one year but less than 2 years** (Figures as at 07/02/2023 based on 22/23 charges)

Properties	Number of properties	Current 2022/23 Band Charge £	Current Value £	Value with 100% premium £ *
Band A	108	£1,254.90	£135,529.20	£271,058.40
Band B	96	£1,464.05	£140,548.80	£281,097.60
Band C	53	£1,673.20	£88,679.60	£177,359.20
Band D	15	£1,882.35	£28,235.25	£56,470.50
Band E	11	£2,300.65	£25,307.15	£50,614.30
Band F	6	£2,718.94	£16,313.64	£32,627.28
Band G	4	£3,137.25	£12,549.00	£25,098.00
Band H	0	£3,764.70	£0.00	£0.00
Total	<b>293</b>		<b>£447,162.64</b>	<b>£894,325.28</b>

\* excludes any amount for non-collection, or for any changes in usage of the dwelling.

- 4.6 Once the Bill has secured Royal Assent, it could, subject to Full Council approval, have a significant positive financial implication. Based on the data in Tables 1 and 2 above, this may equate to approximately £2.477m based upon the current makeup of the tax base. It would be prudent however to assume a downward shift, as property

owners change the use of properties, sell, or as a result of other changes in circumstances. It may therefore be prudent to assume this value reduces by 20% to £1,982m. Implementing these changes will increase revenue to all preceptors on the Collection Fund, with the Council's share being approximately 83%, totalling £1,645m.

## 5. Integrated impact assessment

Attached at Appendix 1

## 6. Legal implications

- 6.1 Local Authorities may only exercise statutory powers which have been given to them by Parliament. At the time of writing this report, the Levelling Up and Regeneration Bill has yet to pass through all of the parliamentary stages and so has not been finalised and is awaiting Royal Assent.

## 7. Director of Finance's comments

- 7.1 All of the financial implications arising from the recommendations are contained within the body of the report.

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Signed by:

**Appendices:** Appendix 1

### **Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<b>Title of document</b>	<b>Location</b>
Levelling Up and Regeneration: further information	<a href="http://www.gov.uk">Levelling Up and Regeneration: further information - GOV.UK (www.gov.uk)</a>

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ..... on .....

.....  
Signed by: