



Title of meeting: Cabinet

Date of meeting: 06 February 2024 Cabinet
13 February 2024 Full Council

Subject: Council Tax Premiums on Second Homes and Empty Properties

Report by: Director of Finance and Resources

Wards affected: All

Key decision: Yes/No

Full Council decision: Yes/No

1. Purpose of report

- 1.1 At the Full Council meeting of 14 March 2023, it was resolved that Full Council declares its intention to implement the following additional council tax premiums, to be applied from 01 April 2024, or as soon as possible thereafter, subject to 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.
- 1.2 The Levelling Up and Regeneration Bill has now become law. The Bill, which is now the Levelling Up and Regeneration Act received Royal Assent on 26 October 2023.
- 1.3 Now that the Act of Parliament exists, Portsmouth City Council is able to determine the level of premium to be applied for second homes, and the level of premium to be applied where a property is empty and unfurnished and has been so for a period of between 1 year and 5 years.
- 1.4 The purpose of this report is to seek confirmation of the Council's intentions in respect of Council Tax premiums.



2. Recommendations

- 2.1 It is recommended that Full Council resolves to implement a 100% premium for second homes which will be effective from 01 April 2025, the earliest opportunity for the Council to introduce this change.
- 2.2 It is further recommended that Full Council resolves to implement a 100% premium for properties that have been empty and unfurnished for a period between 1 and 5 years. This will change to current policy of charging a 100% premium where a property is empty and unfurnished for period between 2 and 5 years.

3. Background

Premiums on Second Homes

- 3.1 In May 2022 Government published the Levelling Up and Regeneration Bill, which included 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.
- 3.2 Where a dwelling is classified as a second home, the City Council has previously resolved to provide a discount of 0%, in essence meaning that the full council tax charge is levied on second homes. Until the Levelling Up and Regeneration Bill was enacted, the City Council had no powers to apply a premium to second homes.
- 3.3 A Billing Authority's first determination under the act must be made at least one year before the beginning of the financial year to which it relates. The earliest implementation date therefore is 01 April 2025.

Premiums on Empty Properties

- 3.4 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.
- 3.5 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 two years and 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.

4. Reasons for recommendations

- 4.1 The Act allows councils to apply a premium on second homes from 01 April 2025 and brings forward the date from which a premium can apply to empty properties. This allows councils to raise additional revenue and to acknowledge the impact that second homes 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 Analysis shows the application of a 100% premium on second homes could increase the level of collectable council tax by approximately £1.68m across all preceptors (see Table 1)

Table 1:

Potential council tax revenue generated from a 100% premium on second homes (Figures as at 02/10/2023 based on 23/24 charges)

Property Band	Number of Properties	Current 2023/24 Band Charge £	Current Value £	Value with 100% premium £*
Band A	389	£1,320.51	£513,678.39	£1,027,356.78
Band B	196	£1,540.59	£301,955.64	£603,911.28
Band C	127	£1,760.67	£223,605.09	£447,210.18
Band D	91	£1,980.76	£180,249.16	£360,498.32
Band E	91	£2,420.93	£220,304.63	£440,609.26
Band F	65	£2,861.10	£185,971.50	£371,943.00
Band G	17	£3,301.27	£561,121.59	£112,243.18
Band H	1	£3,961.52	£3,961.52	£7,923.04
Total	977		£1,685,847.52	£3,371,695.04

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

- 4.5 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 council tax by approx. £690,000 (see Table 2)

Potential council tax revenue granted from a 100% premium on properties empty for more than one year but less than 2 years (Figures as at 02/10/2023 based on 23/24 charges)

Property Band	Number of Properties	Current 2023/24 Band Charge £	Current Value £	Value with 100% premium £*
Band A	174	£1,320.51	£229,768.74	£459,537.48
Band B	129	£1,540.59	£198,736.11	£397,472.22
Band C	89	£1,760.67	£156,699.63	£313,399.26
Band D	17	£1,980.76	£33,672.92	£67,345.84
Band E	13	£2,420.93	£31,472.09	£62,944.18
Band F	8	£2,861.10	£22,888.80	£45,777.60
Band G	5	£3,301.27	£16,506.35	£33,012.70
Band H	0	£3,961.52	£0.00	£0.00
Total	435		£689,744.64	£1,379,489.28

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

- 4.6 The premiums recommended, 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 £2.375m 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 £1.9m. Implementing these changes will increase revenues to all preceptors on the Collection Fund, with the Council's share being approximately 83%, totalling £1.58m.

5. Integrated impact assessment

- 5.1 Attached at Appendix 1.

6. Legal implications

- 6.1 Local Authorities may only exercise statutory powers which have been given to them by Parliament. The resolution made by Full Council on 14 March 2023 provided an intention, however this was before the Levelling Up and Regeneration Act had passed through all of the parliamentary stages and received 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 this 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:

Title of document	Location
Levelling Up and Regeneration Act 2023	Levelling-up and Regeneration Act 2023 (legislation.gov.uk)

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

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Signed by: