

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Corporate Performance Panel		
DATE:	4 January 2024		
TITLE:	Council Tax Premiums for Long Term Empty Properties and Second Homes		
TYPE OF REPORT:	Policy Development		
PORTFOLIO(S):	Finance – Councillor Chris Morley		
REPORT AUTHOR:	Jo Stanton, Revenues and Benefits Manager		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	Yes

REPORT SUMMARY/COVER PAGE

<p>PURPOSE OF REPORT/SUMMARY:</p> <p>The Levelling Up and Regeneration Act 2023 (the Act) introduces powers for billing authorities to charge the existing 100% premium for long term empty properties after one year, rather than the current period of two years, and to charge an additional council tax premium of up to 100% for second homes.</p> <p>This report details the implications of making these changes and recommends options for Members to consider.</p>
<p>KEY ISSUES:</p> <p>Long Term Empty Properties</p> <p>For council tax purposes an empty property is defined as one which is unfurnished and no-one's main home. A long-term empty property is one which has been empty for more than six months after any property exemptions have ended.</p> <p>We currently charge a 100% premium once a long-term property has been empty for two years. Section 79 of the Act now allows us to charge the premium after one year from 1 April 2024. All other time limits and premiums remain the same. This would mean a further 555 properties become liable for the 100% premium. More details are in section 3.</p> <p>Second Homes</p> <p>For council tax purposes a second home is defined as a one which is furnished but which is no-one's main home.</p> <p>The council tax regulations state the default reduction for a second home is 50% but since 2004 we have been able to reduce this discount. Since 2016, taxpayers have been paying the full council tax charge for a second home in the borough.</p> <p>Section 80 of the Act now allows us to charge a premium of up to 100% for second homes from 1 April 2025, meaning taxpayers will pay double the standard council tax charge for a second home. There are 3,200 second homes in the borough and charging an additional 100% premium on these properties will raise an extra £6.5m a year in council tax. More details are in section 4.</p>

OPTIONS CONSIDERED:

Members can decide whether to introduce the long-term empty premium of 100% after one year rather than two, and whether to charge the additional premium for second homes and at what level, up to 100%.

We must give 12 months' notice before charging the second homes premium, so the decisions to charge the long-term empty premium from 1 April 2024 and the second homes premium from 1 April 2025 must be made by 31 March 2024.

Full Council makes the final decision and recommendations from the Panel will go to the Cabinet meeting of 15 January 2024 and the full Council meeting of 31 January 2024.

RECOMMENDATIONS:

The Panel notes the options available for the premiums and agrees to recommend to Cabinet to recommend to Council that:

- The long-term empty premium is charged once a long-term property has been empty for one year rather than two years,
- The second home premium is introduced from 1 April 2025 at the maximum level of 100% to generate the most additional income,
- We work with other Norfolk authorities and Norfolk County Council to ensure the maximum possible amount of the additional second homes income is returned to those boroughs most affected by second home ownership, and
- Authority is delegated to the Revenues and Benefits Manager, in consultation with the s151 Officer and Council Leader, to agree the technical guidelines for any exceptions to the premiums imposed by central government.

REASONS FOR RECOMMENDATIONS:

To decide whether the provisions within sections 79 and 80 of the Levelling Up and Regeneration Act 2023 regarding additional premiums should be implemented.

REPORT DETAIL

1. Introduction

- 1.1. Section 79 of the Levelling Up and Regeneration Act 2023 allows billing authorities to apply the existing 100% premium for long term empty properties after a property has been empty for one year rather than the current time of two years. This change can be made from 1 April 2024.
- 1.2. Section 80 of the Levelling Up and Regeneration Act 2023 allow billing authorities to charge an additional premium of up to 100% on any property in the council tax list which is substantially furnished and where there is no resident (i.e., second homes, referred to in the Act as 'dwellings occupied periodically'). We must give at least 12 months' notice of this change so it can only be charged from 1 April 2025.

2. Proposal

2.1. The Panel is asked to recommend to Cabinet and Council that:

- The long-term empty premium is charged once a property has been empty for one year rather than two years,
- The second home premium is introduced from 1 April 2025 at the maximum 100% level,
- We work with other Norfolk authorities and Norfolk County Council to ensure the maximum possible amount of the additional second homes income is returned to those boroughs most affected by second home ownership, and
- Authority is delegated to the Revenues and Benefits Manager, in consultation with the s151 Officer and Council Leader, to agree the technical guidelines for any exceptions to the premiums imposed by central government.

3. Long Term Empty Property Premium

- 3.1. For council tax purposes an empty property is defined as one which is unfurnished and no-one's main home. A long-term empty property is one which has been empty for more than six months after any property exemptions have ended.
- 3.2. From 2019 we have been able to charge an additional premium for long term empty properties based on the length of time they have remained empty. The current premiums are shown below:

Time empty	Premium	Total Council Tax Charge	Current number of properties
Empty between two and five years	100%	200%	230
Empty between five and ten years	200%	300%	77
Empty over ten years	300%	400%	42
Total			349

- 3.3. The date used for working out when the premium starts exclude any time when a property is exempt, for example whilst awaiting probate, because the owner is in care or for another reason.
- 3.4. The Act now allows us to charge the existing 100% premium for a long-term empty property after one year rather than the current two years. Provided the premium is agreed by full Council by 31 March 2024 it can be charged from 1 April 2024.
- 3.5. Charging the premium for properties empty for a shorter period of time means a further 555 properties are liable to pay the premium, making a total of 904

properties. This increases the council's taxbase by an extra 370 band D equivalent properties raising an additional £0.78m in council tax, shared between the preceptors in proportion to their share of the council tax bill:

Preceptor	Share	Amount (m)
Norfolk County Council	75.3%	£0.59
Police and Crime Commissioner	14.3%	£0.11
BCKLWN	6.8%	£0.05
Parishes	3.5%	£0.03
Total	100.0%	£0.78

3.6. The intention of the premium is to encourage empty properties back into use as owners sell or let their properties to avoid the additional charge. This will be the case for some but not all long-term empty properties so any financial benefits from the additional premium are estimates of the maximum amount that can be raised and are not included in our taxbase for 2024/2025.

4. Second Home Premium

4.1. For council tax purposes a second home is defined as a one which is furnished but which is no-one's main home.

4.2. There are two classes of second home in the council tax regulations. Class A second homes are those with an occupancy restriction, usually due to a seasonal flooding risk. These account for fewer than 5% of all second homes. They cannot be lived in all year round so could not be used as someone's main home and for this reason they are excluded from these changes.

4.3. Class B second homes do not have an occupancy restriction and will be subject to the additional premium.

4.4. The regulations state the default reduction for a second home is 50% but from 2004 we have been able to reduce this discount. We changed the discount to 10% from 2004, 5% from 2013 and abolished it from 2016. Taxpayers now pay the full council tax charge for a Class B second home in the borough. They also pay the full charge for a Class A second home for the days when there is no occupancy restriction and are exempt from council tax for the days when an occupancy restriction applies.

4.5. The Act allows us to charge an additional premium of up to 100% for second homes, i.e., properties which are furnished and no-one's main home. This means they pay double the standard council tax charge.

4.6. There are 3,200 second homes in the borough which could be charged the additional premium. These include:

- Properties let as holiday accommodation on a commercial basis which are only available for let for fewer than 140 days (20 weeks) a year,
- Properties let as holiday accommodation on a commercial basis, are available for let for more than 140 days (20 weeks) a year but are not actually let for at least 70 days a year¹,
- Properties which are private second homes and are never let out commercially, and

¹ From April 2023 the government has updated the rules for second homes. To be shown in the business rates list a property must be available for let for at least 140 days a year, and actually let on a commercial basis for at least 70 days in the previous year. If it does not meet this criteria, it will be included in the council tax list.

- Furnished rental properties when they are vacant between tenants.

4.7. We are not currently able to record which category a property falls into, so a breakdown is not available, but the majority will fall into the first three categories. This will be investigated further if the premium is agreed as it will require a software change from our suppliers.

4.8. The premium does not apply to any self-catering holiday accommodation shown in the business rates list, and there are a small number of second homes in the council tax list which would not be liable for the premium². Class A second homes will also not be charged the premium. The government may also make regulations excluding certain categories of second homes from the premium, although this is likely to be in January 2024 at the earliest. It is likely any exclusion will be a statutory requirement so will not need further Member approval.

4.9. The second home premium can only start on 1 April of a financial year, and we must make the initial decision at least 12 months in advance. Provided the premium is agreed by full Council by 31 March 2024 it can be charged from **1 April 2025**. It can then be varied or revoked providing the decision is made before the start of the next financial year.

4.10. There are 3,200 second homes in the borough's council tax list, representing 4.2% of the total number of council tax properties. 85% are in the northern parishes, 10% are in the central area and 5% are in the southern parishes. A full breakdown is included at Appendix A.

4.11. The parishes with the highest percentages of second homes in October 2023 are:

- Burnham Overy 48.3%
- Holme Next The Sea 41.9%
- Thornham 41.3%
- Brancaster 40.6%
- Old Hunstanton 35.6%

4.12. Charging a premium of 100% on second homes will increase the taxbase by 3,078 band D properties and will raise an **additional £6.5m in council tax** (based on 2023/2024 charges).

4.13. This would be shared between the Preceptors, including the parish and town councils, in proportion to their share of the council tax bill. £4.90m of the additional income would go to Norfolk County Council, and the individual parishes will also benefit where they have significant numbers of second homes. The shares are:

Preceptor	Share	Amount (m)
Norfolk County Council	75.3%	£4.90
Police and Crime Commissioner	14.3%	£0.93
BCKLWN	6.8%	£0.44
Parishes	3.5%	£0.23
Total	100.0%	£6.50

4.14. The premium will raise a significant amount of extra income however the majority of this will go to Norfolk County Council (75.3%) and the Police and Crime

² Second homes owners still receive the regulatory 50% discount if they have another job-related dwelling as they are in the Armed Forces or Clergy.

Commissioner (14.3%), and we will only keep our share of 6.8% - approximately £0.44m. 3.5% goes to the Parish and Town Councils.

4.15. Members will need to determine how this extra income is used and prioritised to support delivery of the new Corporate Strategy and the council's long term financial sustainability. We will also work with other Norfolk authorities and Norfolk County Council to ensure the maximum possible amount of the additional second homes income is returned to those boroughs most affected by second home ownership.

5. Corporate Priorities

5.1. Making these changes supports the Corporate Priorities - Support our Communities and Efficient and Effective Delivery of Our Services.

6. Risks and Opportunities

6.1. There is a risk that taxpayers may try and claim a property is now their main home rather than their second home to avoid paying the premiums. We already have procedures in place for this scenario and will look to strengthen these before any changes come into effect.

6.2. Different charges and policies in neighbouring districts may cause movement into or out of the borough depending on which authority has the most affordable scheme. .

6.3. However, taxpayers may choose to sell their properties instead of paying the premium, bringing more housing stock into the local area and which may make properties in areas of high second home ownership more affordable.

7. Equal Opportunity Considerations

7.1. None

8. Consultation

8.1. There is no statutory requirement for us to consult before bringing in these changes.

8.2. Members can approve the second home premium and then consult during 2024/2025 on the use and distribution of the additional income, ahead of the charge being implemented in April 2025.

9. Recommendations

9.1. The Panel agrees to recommend the 100% premium for long term empty properties is charged for properties a year after they become empty, rather than two years.

9.2. The Panel agrees to recommend charging the additional second home premium for Class B second homes from 1 April 2025 at the highest amount of 100% to maximise income to the council.

9.3. The Panel supports working with other Norfolk authorities and Norfolk County Council to ensure the maximum possible amount of the additional second homes income is returned to those boroughs most affected by second home ownership.

10. Background Papers

10.1. None

Appendix A – Second Homes by Parish

Council Tax Figures - 2 October 2023 (including Job Related discounts)		Actual Number of Domestic Properties	Number of Domestic Properties classified as Second Homes Top 5	% Second Homes Top 5
Taxbase Report		Line 1	Line 11	
King's Lynn	PAR001	19,189	104	0.5%
Bawsey	PAR011	123	0	0.0%
Castle Acre	PAR012	487	33	6.8%
Castle Rising	PAR013	113	0	0.0%
Clenchwarton	PAR014	1,016	1	0.1%
Congham	PAR015	121	4	3.3%
Gayton	PAR016	765	11	1.4%
Grimston	PAR017	954	18	1.9%
Leziate	PAR018	267	2	0.7%
Great Massingham	PAR019	485	31	6.4%
Little Massingham	PAR020	50	2	4.0%
Middleton	PAR021	685	9	1.3%
Pentney	PAR022	304	18	5.9%
Roydon	PAR023	154	1	0.6%
North Runcton	PAR024	264	4	1.5%
Terrington St Clement	PAR025	1,968	12	0.6%
Terrington St John	PAR026	407	2	0.5%
Tilney All Saints	PAR027	268	5	1.9%
Tilney St Lawrence	PAR028	741	3	0.4%
Walpole	PAR029	817	4	0.5%
Walpole Cross Keys	PAR030	241	0	0.0%
Walpole Highway	PAR031	348	3	0.9%
Walsoken	PAR032	727	6	0.8%
East Walton	PAR033	37	1	2.7%
West Walton	PAR034	802	7	0.9%
Westacre	PAR035	97	4	4.1%
Wiggenhall St Germans	PAR036	627	2	0.3%
East Winch	PAR037	387	5	1.3%
West Winch	PAR039	1,270	7	0.6%
North Wootton	PAR040	1,015	1	0.1%
South Wootton	PAR041	1,841	9	0.5%
Barton Bendish	PAR101	104	5	4.8%
Boughton	PAR102	114	2	1.8%
Crimplesham	PAR103	121	3	2.5%
Denver	PAR104	432	4	0.9%
Dereham (West)	PAR105	202	3	1.5%
Downham Market	PAR106	5,555	29	0.5%
Downham West	PAR107	143	1	0.7%
Emneth	PAR108	1,248	7	0.6%
Feltwell	PAR109	1,355	7	0.5%

Fincham	PAR110	252	2	0.8%
Fordham	PAR111	32	0	0.0%
Hilgay	PAR112	627	6	1.0%
Hockwold	PAR113	596	10	1.7%
Marham	PAR114	1,081	3	0.3%
Marshland St James	PAR115	612	2	0.3%
Methwold	PAR116	787	7	0.9%
Nordelph	PAR117	205	2	1.0%
Northwold	PAR118	567	13	2.3%
Outwell	PAR119	1,052	7	0.7%
Runcton Holme	PAR120	305	2	0.7%
Ryston	PAR121	49	0	0.0%
Shouldham	PAR122	294	5	1.7%
Shouldham Thorpe	PAR123	74	2	2.7%
Southery	PAR124	620	2	0.3%
Stoke Ferry	PAR125	540	8	1.5%
Stow Bardolph	PAR126	576	7	1.2%
Stradsett	PAR127	31	2	6.5%
Tottenhill	PAR128	105	2	1.9%
Upwell	PAR129	1,332	13	1.0%
Watlington	PAR130	1,163	11	0.9%
Welney	PAR131	268	5	1.9%
Wereham	PAR132	329	1	0.3%
Wiggenhall St Mary Magdalen	PAR133	327	1	0.3%
Wimbotsham	PAR134	330	1	0.3%
Wormegay	PAR135	174	5	2.9%
Wretton	PAR136	186	1	0.5%
Amner	PAR201	31	0	0.0%
Bagthorpe (with Barmer)	PAR202	29	1	3.4%
Barwick	PAR203	24	3	12.5%
Bircham	PAR204	259	36	13.9%
Brancaster	PAR205	778	316	40.6%
Burnham Market	PAR206	683	197	28.8%
Burnham Norton	PAR207	69	22	31.9%
Burnham Overy	PAR208	240	116	48.3%
Burnham Thorpe	PAR209	102	25	24.5%
Choseley	PAR210	13	4	30.8%
Creake (North)	PAR211	224	46	20.5%
Creake (South)	PAR212	348	80	23.0%
Dersingham	PAR213	2,435	57	2.3%
Docking	PAR214	702	126	17.9%
Flitcham	PAR215	99	4	4.0%
Fring	PAR216	44	10	22.7%
Harpley	PAR217	176	14	8.0%
Heacham	PAR218	2,754	300	10.9%
Hillington	PAR219	149	3	2.0%
Holme-next-Sea	PAR220	222	93	41.9%
Houghton	PAR221	42	3	7.1%
Hunstanton	PAR222	3,160	521	16.5%

Old Hunstanton	PAR223	354	126	35.6%
Ingoldisthorpe	PAR224	420	15	3.6%
Ringstead	PAR225	185	45	24.3%
East Rudham	PAR226	297	31	10.4%
West Rudham	PAR227	120	12	10.0%
Sandringham	PAR228	215	9	4.2%
Sedgeford	PAR229	311	53	17.0%
Sherborne	PAR230	27	1	3.7%
Snettisham	PAR231	1,612	180	11.2%
Stanhoe	PAR232	141	43	30.5%
Syderstone	PAR233	278	43	15.5%
Thornham	PAR234	375	155	41.3%
Titchwell	PAR235	59	20	33.9%
		75,335	3,200	4.2%