
Cabinet
Council

13 December 2022
17 January 2023

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources - Councillor R Brown

Director Approving Submission of the report:

Chief Operating Officer (Section 151 Officer)

Ward(s) affected:

City wide

Title:

Council Tax Premiums for Empty Properties and Second Homes

Is this a key decision?

Yes. The decision may result in revenue implications exceeding £1 million.

Executive Summary:

The Levelling Up and Regeneration Bill also proposes to allow billing authorities to charge a 100 per cent long term empty premium on unfurnished empty properties after the property has been empty for 12 months rather than the current period of 24 months.

The Levelling Up and Regeneration Bill proposes to give billing authorities the power to apply a 100 per cent council tax premium for furnished empty properties (second homes, including second homes which are occupied but the occupiers main home is somewhere else).

The policy objective of these measures is to improve the supply of housing or for owners of second homes to make a greater contribution to council tax receipts.

If the Bill is enacted, reducing from 24 months to 12 months the timescale for long term empty property premiums could generate up to £0.9 million per annum in additional council tax. This figure would likely reduce over time as the policy intention begins to influence the behaviour of owners of empty properties.

This change, from 24 months to 12 months, for the long term empty premiums may be applied from 1 April 2024 and it is recommended that Council approve this measure.

The implementation of a premium for second homes could generate £3.6 million. The implementation of this type of premium is more complex in terms of the potential implications for housing policy and the impact on different stakeholders. It is not recommended that the Council proceed with this measure from April 2024 and instead review this option in the coming 12 months.

Recommendations:

Cabinet is requested to recommend that Council:

- 1) Approve the implementation a provision contained within the Levelling Up and Regeneration Bill to:
 - Apply a 100 per cent premium for properties that have been empty and unfurnished for 12 months or longer – this charge would be implemented from 1 April 2024 and applied to any property that had been empty for 12 months at that point and going forward.
 - Agree to review the option of implementing a 100 per cent premium on second homes following the Enactment of the legislation and receive a further report detailing any recommendations proposed to come into effect from April 2025.

Council is requested to:

- 1) Approve the implementation of provisions contained within the Levelling Up and Regeneration Bill to:
 - Apply a 100 per cent premium for properties that have been empty and unfurnished for 12 months or longer – this charge would be implemented from 1 April 2024 and applied to any property that had been empty for 12 months at that point and going forward.
 - Agree to review the option of implementing a 100 per cent premium on second homes following the Enactment of the legislation and receive a further report detailing any recommendations proposed to come into effect from April 2025.

List of Appendices included:

None

Background papers:

None

Other useful documents

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No.

Will this report go to Council?

Yes

Report title:

Council Tax Premiums for Empty Properties and Second Homes

1. Context (or background)

- 1.1 The Levelling Up and Regeneration Bill includes provision for the amendment and imposition of council tax premiums for empty properties and second homes. The Bill, which, at the time of writing, is at report stage in the House of Commons, was introduced by the Department for Levelling Up, Housing and Communities (DLUHC) on 8th June 2022.

Empty and unfurnished properties

- 1.2 In 2013 legislation was introduced which allowed billing authorities to charge a 50 per cent council tax premium for unfurnished homes that had remained unoccupied for two years or longer. The Council resolved to implement this premium in full. Subsequent legislation increased the charge from 50 per cent to 100 per cent and introduced further premiums based on the length of time a property remained unoccupied. The charges currently applied in Coventry are detailed in figure 1 below.

Figure 1 – Coventry council tax premiums for empty and unfurnished homes

	Council tax premium	Number of properties in Coventry
Empty more than 2 years	100%	307
Empty more than 5 years	200%	67
Empty more than 10 years	300%	41

- 1.3 The Levelling Up and Regeneration Bill proposes to reduce from two years to one year the period from which a 100 per cent premium can be applied. The 200 per cent and 300 per cent premiums would remain unchanged.
- 1.4 The policy intention of these premiums is to incentivise property owners to bring back into use empty homes and so improve the overall supply of housing.
- 1.5 The 100 per cent long term empty premium currently generates approximately £0.5 million per annum in council tax revenue in Coventry. Reducing the empty period to one year would bring an estimated additional 577 properties into the premium and generate approximately £0.9 million additional revenue. It is expected that this amount will decrease over time as the policy intention takes effect and owners bring properties back into use.
- 1.6 The Bill proposes that the change in premium may be applied from 1 April 2024.

Second Homes

- 1.7 Furnished empty properties are currently exempt from long term empty premiums. The Levelling Up and Regeneration Bill includes provision to charge a new council tax premium for furnished empty properties – or second homes – at the rate of 100 per cent from the day the property becomes empty.
- 1.8 Second homes for council tax purposes include furnished rental properties and properties occupied by a person who has a sole or main residence somewhere else. Coventry has approximately 2,200 second homes at any given point. The potential additional tax revenue is approximately £3.6 million.

- 1.9 The policy intention is to encourage owners of second homes to make their homes available for permanent occupation and therefore improve the supply of housing. The policy is seen as being particularly helpful in areas with high levels of second home ownership where this restricts the supply of housing and artificially inflates prices. Coventry does not have comparably high levels of second home ownership
- 1.10 The Bill proposes to allow billing authorities to apply a 100 per cent premium from 1 April 2024. A determination to apply the charge must be made 12 months in advance of the financial year in which the charge is due to apply and therefore the Council must reach such a determination prior to 1 April 2023 if the intention is to apply the premium from 1 April 2024. The Council must also publish notice of the determination in a local newspaper within 21 days of the determination.

2. Options considered and recommended proposal

- 2.1 The Council could opt against implementing some or all of the powers contained within the Bill which relate to Council Tax premiums. Retaining the existing regime of council tax empty property premiums would have no financial implications nor further support the Council's objectives in respect of housing supply.
- 2.2 There are options to implement the measures with variations specific to Coventry. For example, the intention to charge a premium on empty furnished properties (second homes) would result in landlords paying more council tax during periods when properties are not let – including potentially short periods between tenancies. The Council could specify a minimum period for which a furnished property must be empty before the increased charge comes into effect – a period of two weeks or one month for example. This would provide a timeframe during which landlords can reasonably transition between tenants without incurring increased charges whilst ensuring the charges are applied to longer term empty furnished properties.
- 2.3 The point at which a premium applies for second homes could be set at 12 months to bring it into line with the regime for unfurnished empty properties. Such an approach would incentivise the re-occupation of properties and charge an additional premium to second homes after 12 months but would also limit potential council tax revenue. The potential council tax revenue for this approach would be approximately £1.5 million compared with £3.6 million from the premium being charged immediately.
- 2.4 However, the implementation of a premium for second homes is complex and the timescales involved to reach a decision are challenging. It is therefore recommended a decision in this respect be delayed to allow the opportunity to understand the final detail of the legislation, fully appraise the complexities of the measure and monitor the practical implementation of the measure in those Authorities implementing the measure from 1 April 2024.
- 2.5 The Bill may be subject to alterations prior to receiving Royal Assent. It is recommended that Council make the decision to implement proposals contained within the current draft bill as follows:
 - the Council applies a 100 per cent premium for properties that have been empty and unfurnished for 12 months or longer – this charge would be implemented from 1 April 2024 and applied to any property that had been empty for 12 months at that point and going forward.
- 2.6 It is not recommended that Council approve the implementation of a second home premium at this time in readiness for April 2024. Instead it is proposed that the option is kept under review and subject to further evaluation prior to a decision being made in time for April 2025.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

4.1 Subject to the Levelling Up and Regeneration Bill being enacted:

- The application of a 100 per cent premium to unfurnished properties that have been empty for 12 months may be applied from 1 April 2024.

5. Comments from the Chief Operating Officer (Section 151 Officer) and the Chief Legal Officer

5.1 Financial implications

The imposition of the additional council tax premium will benefit the collection fund, and overall corporate resources, as follows:

Reducing from 24 months to 12 months the point at which a long term empty premium is applied for empty and unfurnished properties.

Approximately 580 additional properties would be captured by the premium resulting in increased council tax revenue of approximately £0.9 million per annum.

Imposing a 100 per cent second home premium on furnished empty properties from the day they become empty

Approximately 2,000 properties would attract the premium generating additional council tax revenue of approximately £3.6 million per annum.

The Council retains approximately 90 per cent of the additional council tax revenue generated with approximately 10 per cent being distributed to precepting authorities.

The figures quoted above are based on data at the time of writing. The underlying policy intention is to increase the supply of housing rather than increase council tax revenue. If the policy intention is realised then the figures quoted are likely to be reduced over time in response to the behaviour of owners of empty properties and second homes.

5.2 Legal implications

The recommendations set out within this report are subject to the Levelling Up and Regeneration Bill receiving Royal Assent and coming into force in the UK.

6. Other implications

6.1 How will this contribute to the Council Plan (www.coventry.gov.uk/councilplan/)?

The proposal supports the Council's objectives in respect of improving the quality of life for Coventry people and maximising Council revenue.

6.2 How is risk being managed?

No risks have been identified.

6.3 What is the impact on the organisation?

The recommendations would increase council tax revenue and encourage owners to bring back into use empty properties.

6.4 Equalities / EIA

No impact.

6.5 Implications for (or impact on) Climate Change and the environment

No impact.

6.6 Implications for partner organisations?

No impact.

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