

Meeting date: 9 February 2023

Report to: Full Cabinet

Report title: Council Tax Premiums for Empty Properties and Second Homes

Report from: Acting Chief Executive

Report author/lead contact officer: Joanne Robinson, Head of Income and Awards
joanne.robinson@solihull.gov.uk

Wards affected:

- All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
 Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle |
 Lyndon | Meriden | Olton | Shirley East | Shirley South |
 Shirley West | Silhill | Smith's Wood | St Alphege
-

Public/private report: Public

Exempt by virtue of paragraph:

1. Executive Summary

- 1.1 The purpose of this report is to provide details of the council tax premiums for empty properties and second homes with effect from 1 April 2024 onwards.
- 1.2 The Levelling Up and Regeneration Bill proposes to allow billing authorities to charge a 100% long term empty premium on empty and unfurnished properties after the property has been empty for 12 months rather than the current period of 24 months.
- 1.3 The Levelling Up and Regeneration Bill also proposes to allow billing authorities the power to apply a 100% council tax premium for empty and furnished properties known as second homes. Second homes include homes which are occupied but the occupier's main home is somewhere else.
- 1.4 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.

2. Decision(s) Recommended

- 2.1 Cabinet is asked to recommend that Full Council approves the changes to the long-

term empty premium so that with effect from 1 April 2024 the council tax premium is applied after the property has been empty and unfurnished for 12 months rather than 24 months.

- 2.2 Cabinet is asked to approve that a 100% council tax premium for furnished empty properties (known as second homes) is not implemented at this stage and is instead deferred to a later date once more information is known.

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3. Matters for Consideration

- 3.1 The Levelling Up and Regeneration Bill includes provision and implementation of council tax premiums for long term empty properties and second homes.
- 3.2 The Bill, which, at the time of writing, is at the 2nd reading stage in the House of Lords, was introduced by the Department for Levelling Up, Housing and Communities (DLUHC) on 11 May 2022

EMPTY AND UNFURNISHED PROPERTIES

- 3.3 In 2013 legislation was introduced which allowed billing authorities to charge a 50% council tax premium for unfurnished homes that had remained unoccupied for two years or longer. The Council resolved to implement this premium in full with effect from 1 April 2013. Subsequent changes to legislation increased the charge from 50% to 100% from 1 April 2019 and introduced further premiums based on the length of time a property remained unoccupied. The changes currently applied in Solihull are detailed in the table below:

Properties empty and unoccupied for up to 2 years	0% discount (full charge)
Furnished properties and second homes	0% discount (full charge)
Properties empty and unoccupied for 2-5 years	200% charge (includes 100% empty property premium)
Properties empty and unoccupied for 5-10 years	300% charge (includes 200% empty property premium)
Properties empty and unoccupied for more than 10 years	400% charge (includes 300% empty property premium)

- 3.4 The Levelling Up and Regeneration Bill proposes to reduce from two years to one year the period from which a 100% premium can be applied. The 200% and 300% premiums would remain unchanged.
- 3.5 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.
- 3.6 The 100% long term empty premium currently generates approximately £150,000 per annum in council tax revenue in Solihull. There are 650 properties that are empty and unfurnished that do not yet attract the premium as they have been empty for less than 2 years. It is expected that the majority of these properties will become occupied between now and 1 April 2024. Therefore, it is difficult to determine the exact number of additional properties that will have the premium applied.
- 3.7 Reducing the empty period to one year could generate approximately £121k in additional revenue for 2024/25. This is a conservative estimate until figures are confirmed nearer to the 1 April 2024 implementation date. It is expected that this

amount will decrease over time as the policy intention takes effect and owners bring properties back into use.

- 3.8 The Bill proposes that the change in premium may be applied from 1 April 2024 but only if it is approved by Full Council before 31 March 2023.

SECOND HOMES

- 3.9 Furnished empty properties are currently exempt from long term empty council tax premiums. The Levelling Up and Regeneration Bill includes provision to charge a new council tax premium for furnished empty properties – known as second homes – at a rate of 100% from the day the property becomes empty.
- 3.10 Second homes for council tax purposes include furnished rental properties and properties occupied by a person who has a sole or main residence elsewhere. Solihull currently has 123 properties identified as a second home (empty and furnished). The potential additional council tax revenue is £81k.
- 3.11 The policy intention is to encourage owners of second homes to make their homes available for permanent occupations and therefore improve the supply of housing. The policy is seen as being particularly helpful in areas where high levels of second home ownership where this restricts the supply of housing and affects house prices. Solihull has comparably low levels of second home ownership.
- 3.12 The Bill proposes to allow billing authorities to apply a 100% premium for second homes 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. The Council must therefore reach a determination by 31 March 2023 if the intention is to apply the second home premium from 1 April 2024. The Council must publish a notice of the determination in a local newspaper within 21 days of the decision.

4. What options have been considered and what is the evidence telling us about them?

- 4.1 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 approach of council tax premiums would have no financial implications to the Council. However, there is a shortage of affordable housing in Solihull so any measures to encourage owners to bring long term empty properties back into use is seen to support the Council's objectives in respect of housing supply.
- 4.2 There are options to implement the second home measures with variations specific to Solihull. For example, the intention to charge a premium on 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 before the premium was to apply allowing landlords a reasonable length of time to manage the move between tenants. The point at which the premium is applied could be set at 12 months to bring it in line with the long-term empty premium thereby incentivising the re-occupation of properties when empty for more than 12 months. These options would all have an impact on the additional revenue

generated from implementing the premium.

- 4.3 The implementation of a premium for second homes is complex with varying scenarios that could arise. The official guidance from the Secretary of State has not yet been released therefore it is challenging to reach a decision by 31 March 2023. It is therefore recommended that a decision relating to the second home premium is delayed allowing the opportunity to understand the final detail of the legislation, to fully review any complexities and to monitor the practical implementation of the measure in those Authorities implementing the premium from 1 April 2024.
- 4.4 The Bill may be subject to alterations prior to receiving Royal Assent. It is recommended that Council makes the decision to implement the proposal contained within the current draft bill to apply a 100% council tax premium for properties that have been empty and unfurnished for 12 months or longer and that this charge will be implemented from 1 April 2024 onwards.

5. Reasons for recommending preferred option

- 5.1 It is recommended to implement the 100% council tax premium for long term empty properties that are empty and unfurnished after 12 months rather than the existing 24 months. This will help support the Council's objective to increase housing supply and encourage owners of empty properties to bring them back in to use.
- 5.2 It is too early to ascertain the impact of introducing a second home premium. It is therefore recommended that this is not implemented from 1 April 2024 and instead the option is kept under review with a view to implementing at a later date (possibly 1 April 2025).
- 5.3 For those owners who are actively trying to bring their property back into use or who may suffer financial hardship as a result of the proposed changes they will be able to make an application to have their premium reduced or waived. The applications will be considered as part of the Council's Discretionary Reduction Policy

6. Implications and Considerations

- 6.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
People and Communities: <ol style="list-style-type: none">1. Improving outcomes for children and young people in Solihull.2. Good quality, responsive, and dignified care and support for Adults in Solihull when they need it.3. Take action to improve life chances and health outcomes in our most disadvantaged communities.4. Enable communities to thrive.	N/A

Priority:	Contribution:
<p>Economy:</p> <p>5. Develop and promote the borough's economy, with a focus on revitalising our town and local centres.</p> <p>6. Maximising the opportunities of UK Central and HS2.</p> <p>7. Increase the supply of affordable and social housing that is environmentally sustainable.</p>	<p>Applying a 100% council tax premium for properties that are empty and unfurnished after 12 months will hopefully encourage owners to bring them back into use and thereby increase housing supply within the borough.</p>
<p>Environment:</p> <p>8. Enhance our natural environment, improve air quality and reduce net carbon emissions.</p>	<p>N/A</p>
<p>9. Promote employee wellbeing</p>	<p>N/A</p>

6.2 Consultation and Scrutiny:

6.2.1 This report has not been presented to a Scrutiny Board. However, the proposals were reported to the Budget Strategy Group as part of the 2023/24 budget process and are reflected in the medium-term financial strategy (MTFS) update reported to the Resources and Delivering Value Scrutiny Board on 2 February 2023

6.3 Financial implications:

6.3.1 Reducing the period for which the long-term empty premium does not apply from 24 months to 12 months is expected to generate additional council tax revenue in the region of £121,000 from 2024/25. This is a conservative estimate as it is expected that the majority of properties currently empty and unfurnished will be brought back into use before 1 April 2024. This assumption is reflected in the updated MTFS proposals included elsewhere on your agenda.

6.3.2 The figures quoted in section 6.3.1 are based on current data which is subject to change. The assumption currently built into the MTFS will be updated as part of next year's budget process when the 2024/25 tax base is approved.

6.3.3 The underlying policy intention is to increase the supply of housing rather than increase council tax revenue. Therefore, if the policy intention is realised then the figures quoted are likely to reduce over time as properties are brought back into use.

6.4 Legal implications:

6.4.1 The recommendations set out within this report are subject to the Levelling Up and

Regeneration Bill receiving Royal Assent.

6.5 Risk implications, including Risk Appetite:

6.5.1 No risks have been identified. The risk appetite is low as the recommendation is based on the proposals within the draft Levelling Up and Regeneration Bill.

6.6 Equality implications:

6.6.1 If the recommendation is approved the Council's Empty Properties Policy will be updated to reflect the change from 24 months to 12 months. The policy sets out a clear framework for when the premium is applied and the support available should the premium cause financial hardship.

6.6.2 All applications for waiving the premium will be considered, monitored and recorded as part of our Council Tax Reductions Policy to ensure that there is no discrimination or less favourable treatment on the grounds of any protected characteristic (equality group) covered under the Equality Act.

6.7 Linkages to our work with the West Midlands Combined Authority (WMCA), Local Enterprise Partnership or the Birmingham & Solihull Integrated Care System (ICS):

6.7.1 None

7. List of appendices referred to

7.1 None

8. Background papers used to compile this report

8.1 None

9. List of Other Relevant Documents

9.1 [Solihull Councils Council Tax Discretionary Reductions Policy](#)