

Report to: Policy and Resources Committee, 6th February 2024

Report of: Corporate Director - Finance and Resources

Subject: COUNCIL TAX – SECOND HOMES PREMIUM

1. Recommendation

1.1 That the Committee recommends to Full Council that from 1 April 2025 properties classed as second homes be charged a Council Tax premium equivalent to 100% of the Council Tax and that the Corporate Director - Finance and Resources be authorised to agree individual exemptions based on government guidance.

2. Background

2.1 The Levelling-Up and Regeneration Act 2023 received Royal Assent on 26 October 2023. The Act amends the Local Government Finance Act 1992 and introduces new discretionary powers that allow billing authorities to introduce a council tax premium of up to 100% in respect of dwellings occupied periodically, which are generally called 'second homes.'

2.2 Under section 11C of the Local Government Finance Act 1992, for a premium to apply to second homes, a billing authority must make its first determination at least one year before the beginning of the financial year to which the premium relates. This means that the earliest date at which a premium could take effect would be 1 April 2025.

3. Information

3.1 As with the Council's previous decision (February 2019) to apply a premium for long-term empty dwellings, the rationale for applying the premium for second homes is to encourage their owners to recognise the effect of the dwellings being removed from the housing stock. Second homes reduce the housing supply and can therefore lead to higher prices, including higher rental prices, for ordinary household occupation. The local government sector, especially in tourist areas with high property prices, has lobbied for many years for the power to levy a Council Tax premium on second homes. Welsh local authorities have been empowered to apply a second home premium for a number of years under separate legislation.

3.2 The Government has consulted on the proposal and is developing regulations which would provide for specified exemptions, such as where probate is being sought or the owner is attempting to sell the property. These regulations have not been published as yet but, as the powers are discretionary, the Council can use its powers of discretion under the 1992 Act to locally determine exceptions.

3.3 There are currently 293 second homes identified on Council Tax records. In the event that 100% premium was applied for a full year to each of these, the additional

Band D equivalent Council Tax debit generated would be £702,400. The Council's share of this revenue is approximately 11%, equating to £77,264 per annum.

- 3.4 The changes would also raise revenue for the other major preceptors in proportion to their share of a Council Tax bill. This would be beneficial for them given their own budgetary pressures.

4. Preferred Option

- 4.1 To introduce a 100% Council Tax premium for second homes from 1 April 2025.

5. Alternative Options Considered

- 5.1 To not implement the powers enabled by the Act. This would mean that the Council would forgo the opportunity to increase the number of homes available for buyers in line with the Government's intentions.

6. Implications

6.1 Financial and Budgetary Implications

As set out above, the potential additional income in Council Tax based on 2023/24 data is £702,400. This would be shared in accordance with precepts and demands as follows (Figures are approximate due to rounding):

Worcestershire County Council	72%	£505,700
West Mercia PCC	12%	£84,300
Hereford and Worcester FRA	5%	£35,100
Worcester City Council	11%	£77,300

6.2 Legal and Governance Implications

The proposals are permitted under section S80 of the Levelling-Up and Regeneration Act 2023. The introduction of the revised premiums will require additional collection and enforcement action but this will be undertaken under existing powers and therefore has no direct impact for the Council.

6.3 Risk Implications

The Council has adopted policies for increasing the number of homes available to local people – both affordable and at market values. The proposal is designed to reduce the risk that there are insufficient homes available for local people to buy in Worcester.

6.4 Corporate/Policy Implications

The City Plan theme Stronger and Connected Communities includes an explicit aim to achieve a *reduction in underused property and reduced number of substandard rental properties*. The proposal in the report supports this objective.

6.5 Equality Implications

There are no equalities implications arising from this report. All existing exemptions to Council Tax arising from the application of regulations or Council policies, such as the exemption for care leavers, will remain in place. Any individual cases which give rise to equalities concerns can be considered by the Corporate Director - Finance and Resources under the proposed delegation set out in the recommendation.

6.6 Human Resources Implications

There are no human resources implications arising from the report.

6.7 Health and Safety Implications

There are no direct health and safety implications. However empty properties may represent a public hazard which the implementation of this policy, if successful in reducing the number of empty properties, would mitigate.

6.8 Social, Environmental and Economic Implications

The proposal may have a positive impact on low income groups and single occupiers by increasing the proportion of properties available for occupation.

Some properties may be partially empty for a long period because home owners may be struggling to rent or sell a property in a depressed market. Earlier government guidance from 2013 makes it clear that the premium should not be used to penalise owners of homes that are genuinely on the market for rent or sale. It is therefore necessary to give authority to the Corporate Director - Finance and Resources to look at individual cases and grant exemptions where appropriate. This will enable any circumstances which may cause hardship to be taken into account in the decision to enforce the policy.

Ward(s): All wards
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Background Papers: None