



Report to Policy Committee

Author/Lead Officer of Report:

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Report of: Philip Gregory, Director of Finance and Commercial Services

Report to: Finance Committee

Date of Decision: 19 February 2024

Subject: Amendment to Council Tax Long-Term Empty Premium and introduction of Second Home Premium

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	n/a
If YES, what EIA reference number has it been given?					
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	n/a
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-					

Purpose of Report:

The purpose of this report is to provide the Committee with details of the Council's powers to make changes to the Council Tax Long-Term Empty Premium and to introduce a new Council Tax premium for second homes.

Recommendations:

It is recommended that the Finance Committee:

- i. Notes the new powers which will enable to Council to make changes to the Council Tax Long-Term Empty Premium from 2024/25, and the ability to introduce a new Council Tax Premium for second homes from 2025/26.
- ii. Agrees to adopt these powers, and if so, determine whether the Council Tax Long-Term Empty Premium for dwellings empty and substantially unfurnished for more than 12 months is introduced in 2024/25 or 2025/26.

Background Papers:

n/a

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Matt Ardern
		Legal: Nadine Wynter
		Equalities & Consultation: n/a
		Climate: n/a
	<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	SLB member who approved submission:	Philip Gregory, Director of Finance and Commercial Services
3	Committee Chair consulted:	Zahira Naz
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the SLB member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: John Squire	Job Title: Revenues and Benefits Policy and Support Manager
	Date: 6 February 2024	

1. PROPOSAL

- 1.1 The Levelling-up and Regeneration Act 2023 allows Councils to class a dwelling as being long term empty after 1 year, and to apply a premium to second homes.
- 1.2 The proposal is that the Council chooses to adopt these new powers, and if so, whether to apply the changes to the Long-Term Empty Premium from 2024/24 or 2025/26. Alternatively, the Council can choose not to adopt these new powers.

2. BACKGROUND

2.1 Long Term Empty Premium

- 2.2 Currently a property is classed as a long-term empty dwelling if it has been unoccupied and substantially unfurnished for a period of at least 2 years.
- 2.3 Where a dwelling is a long-term empty dwelling the Long-Term Empty Premium (LTEP) is applied to the Council Tax. The LTEP increases the longer a dwelling has been long term empty:
 - Where the dwelling has been long term empty for 2 or more years the LTEP is 100% of the Council Tax charge
 - Where the dwelling has been long term empty for 5 or more years the LTEP is 200% of the Council Tax charge
 - Where the dwelling has been long term empty for 10 or more years the LTEP is 300% of the Council Tax charge
- 2.4 The Act provides Councils with the powers to class a property as being long term empty where the dwelling has been unoccupied and substantially unfurnished for 1 year. This would mean that the LTEP of 100% would be applied to the Council Tax liability after 1 year, rather than 2 years.
- 2.5 The intention of the LTEP is to encourage more empty homes to be brought into productive use, increasing the supply of available housing, reduce the potential impact of anti-social behaviour associated with areas with high numbers of empty properties whilst also enabling the Council to raise and retain additional revenue to support local services.
- 2.6 There are currently 973 dwellings subject to the LTEP and reducing the period from 2 to 1 years will significantly increase the number of long-term empty dwellings subject to the premium.
- 2.7 There are currently 1,491 dwellings that have been empty for between 1 and 2 years that may become subject to a 100% LTEP if the Council decided to reduce the period whereby a property was classed as being long-term empty from 2 to 1 years. However, of these dwellings 389 have been left empty following the death of the liable person, and a further 93 dwellings are empty as the liable person is in hospital or a care home. Both these categories of dwelling currently receive a 100% exemption in respect of the Council Tax charge. This leaves 1,009

dwellings that would be subject to the LTEP if the Council chose to reduce the period from 2 to 1 years.

- 2.8 The table below shows the split in Council Tax bandings, the potential extra Council Tax charge and an estimate of the total income that may be collected based upon a collection rate of 66.4% (this is based on the current collection rate for LTEP dwellings). It is worth noting that the total charge includes amounts for the precepting authorities.

	Band A	Band B	Band C	Band D	Band E	Band F	Band G
Number of Dwellings	605	231	97	42	17	9	8
Total Amount of Premium	£871,720.30	£388,313.31	£186,352.52	£90,775.02	£44,907.03	£28,096.92	£28,817.36
Potential Income	£578,822.28	£257,840.04	£123,738.07	£60,274.61	£29,818.27	£18,656.35	£19,134.73
SCC Income	£491,998.94	£219,164.03	£105,177.36	£51,233.42	£25,345.53	£15,857.90	£16,264.52

- 2.9 The total estimated extra Council Tax revenue that may be collected by reducing the LTEP to 1 year could be £1,088k, or which around £160K would be paid to the precepting authorities. Please note – this is applying the 2023/24 Council Tax charge, so income will increase with the decision at March Council to increase the tax rate.
- 2.10 Further to this, of the 1,009 dwellings detailed above that have been empty and substantially unfurnished for over 12 months, 137 are owned by the Council. Applying the LTEP to these dwellings would come at a cost to the Council's Housing Revenue Account, with the Council becoming liable to pay an extra £200k with roughly 15% of this being given to the precepting authorities. There is not currently any provision in the HRA budget for 2024/25 to account for this extra charge.
- 2.11 In addition to this, there are currently 374 dwellings owned by the Council that are currently empty and substantially unfurnished for a period of less than 12 months.

3. Second Home Premium

- 3.1 The Act also provides Councils with the power to apply a premium to second homes of up to 100% of the Council Tax charge (the Levelling-up and Regeneration Act 2023 refers to this as the 'Higher amount for dwellings periodically unoccupied', but for the purpose of this report it will be referred to as the second home premium). This would mean that properties which are furnished but not an individual's primary residence, would pay up to twice the amount of Council Tax that they were previously liable to pay.
- 3.2 The Act provides that if the Council wishes to enact the second homes premium that it must do so at least one year before the beginning of the financial year to which it relates. This means that the earliest date that the Council can introduce the second homes premium is April 2025.

- 3.3 Second Homes do not receive any Council Tax discount and where a dwelling is classed as being a second home, i.e., the dwelling is furnished and it is not the owner's primary residence, the charge is for 100% of the liability.
- 3.4 There are currently 509 dwellings recorded as being second homes on the Council Tax system. However, the Levelling-up and Regeneration Act refers to allowing Council's the power to charge a higher amount of Council Tax for dwellings occupied periodically.
- 3.5 The conditions are that there is no resident in the dwelling and that the dwelling is substantially furnished. Where these conditions are met, the amount of Council Tax payable in respect of the dwelling may be increased by up to 100%.
- 3.6 This definition may apply to furnished dwellings owned by landlords between lets. These are not currently recorded on the Council Tax system as second homes.
- 3.7 Based on the 509 dwellings currently recorded on the Council Tax system, applying a 100% premium would increase the amount of Council Tax owed by these dwellings by £874k. Again, roughly 15% of any premium applied to these liabilities would be paid to the precepting authorities.
- 3.8 Any income estimate at this point will be sensitive to any behaviour change on the part of the second homeowners - e.g. property sale, non-payment of charge or registration of dwelling as a business – which would reduce the overall income to the Council as a result of the premium. In the event of dwellings registering as a holiday-let business, it is likely the income to the Council would reduce below the level of 'normal', non-premium Council Tax. At this stage, it is unclear how many properties this may affect.
- 3.9 The Act states that the Secretary of State may provide exemptions to the second home premium and in doing so may take account of the physical characteristics of the dwelling and any person who is liable to pay the charge.
- 3.10 We are expecting to receive further guidance from Government in respect of the type of dwelling these exemptions may apply, but the guidance has yet to be published.
- 3.11 The Council has discretionary powers to reduce the amount of Council Tax owed.
- 3.12 Section 13A of the Local Government Finance Act 1992 provides Local Authorities with discretionary powers to reduce the amount of Council Tax owed by the liable person.
- 3.13 The Council may choose to use these discretionary powers on a case-by-case basis, and this can include reducing or removing an LTEP from the liability.
- 3.14 To the extent that discretionary reductions are applied, this comes at a ~15% cost to the Council as we would pay this across to preceptors.

4. HOW DOES THIS DECISION CONTRIBUTE?

- 4.1 One of the goals of the Council's Our Sheffield Delivery Plan is ensuring SCC's financial stability and sustainability and by adopting these new powers the Council will increase the amount of Council Tax that it is able to collect and leading to an improvement in the Council's financial position.
- 4.2 Another aim of the Long-Term-Empty Premium is to encourage empty homes to be brought back into use, which would increase in the supply of housing locally and may lead to reductions in the amount of anti-social behaviour associated with areas with high levels of empty properties, but of which contribute to the goal of strong and connected neighbourhoods which people are happy to call home.

5. HAS THERE BEEN ANY CONSULTATION?

- 5.1 There has been no public consultation and there is no requirement to do so. However, if the Council chooses to adopt these new powers, it must serve a notice in the local press.

6. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

6.1 Equality Implications

- 6.1.1 As a Public Authority, the Council have legal requirements under Section 149 of the Equality Act 2010. These are often collectively referred to as the "general duties to promote equality" with particular regard to persons sharing the relevant protected characteristics, age, disability, gender reassignment, pregnancy, maternity, race, religion sex and sexual orientation. It is considered that in exercising these powers, the Council complies with this duty as the impact on taxpayers is equality neutral, being the same whether or not any person subject to additional council tax charges with regard to the application of these powers, has a protected characteristic. In these circumstances it is therefore considered that an Equality Impact Assessment is unnecessary.

6.2 Financial and Commercial Implications

- 6.2.1 The taxbase for 2024/25 has been decided and communicated to precepting authorities – this must be done by 31st January, and in practice is done mid-January sooner to assist budget planning.
- 6.2.2 If the LTEP is enacted from 1/4/24, there will be no additional income generated that is available for the 24/25 Budget. The revenue generated in respect of 24/25 will therefore be available within the 25/26 Budget as a Council Tax surplus, and also included within the 25/26 tax base setting process for future years.

6.3 Legal Implications

- 6.3.1 The Levelling-up and Regeneration Act 2023 provides for changes to the Local Government Finance Act 1992, and allows Councils to reduce the period that a dwelling which has been empty and substantially unfurnished becomes a Long-Term-Empty dwelling from 2 years to 1 year. It also provides for a new second home premium.

- 6.3.2 The Levelling-up and Regeneration Act 2023 provides that if the Council wishes to adopt the second homes premium the determination must be made at least 1 year before the beginning of the financial year to which it relates.

6.4 Climate Implications

- 6.4.1 No additional environmental implications are expected as a result of continuing with the current CTRS into 2024/25. Self-service options will continue to be promoted reducing the need for paper forms and the need for claimants to travel to appointments.

6.5 Other Implications

- 6.5.1 None

7. ALTERNATIVE OPTIONS CONSIDERED

- 7.1 The alternative options the Council has is to not adopt these new powers and keep the Long-Term-Empty Premium the same and to not adopt the second home premium.

8. REASONS FOR RECOMMENDATIONS

- 8.1 Legislation provides for making changes to the Long-Term-Empty Premium and for the introduction of a second home premium.
- 8.2 The Council must decide if it wants to make changes to the Long-Term-Empty Premium. If the Council decides it wants to make changes to the Long-Term-Empty Premium, it must decide if it wants to do so from 2024/25 or from 2025/26.
- 8.3 The Council must also decide if it wants to introduce a second home premium. If the Council decides to introduce a second homes premium, that is agrees to apply a premium of 100% to dwellings that meet the definition of being a second home and that it will do so from 2025/26.

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