


Report to:	EXECUTIVE CABINET
Date:	29 March 2023
Executive Member:	Councillor Jacqueline North – First Deputy Finance, Resources and Transformation
Reporting Officer:	Ilys Cookson – Assistant Director Exchequer
Subject:	COUNCIL TAX - EMPTY PROPERTIES AND SECOND HOMES
Report Summary:	The report sets out proposed increases to empty properties and second homes on the condition that local authorities must 'make the determination at least one year before the financial year to which it relates', as detailed in the Levelling Up Bill and which is expected to become legislation within the current financial year.
Recommendations:	That Executive Cabinet be recommended to agree that subject to legislation being in place within the current financial year, that Council Tax in respect of empty properties and second homes be increased to 200% charge after the necessary 12 months notice has been given.
Corporate Plan:	The proposal supports each of the Corporate Plan themes.
Policy Implications:	Up to a maximum of a further 100% Council Tax in addition to that already charged, may be charged from the time the property has been empty for one year instead of the current 2 years and second home Council Tax charges may be increased by no more than 100% providing that there is no-one resident and the dwelling is substantially furnished.
Financial Implications: (Authorised by the statutory Section 151 Officer)	<p>Council Tax is a significant and important source of funding to support the annual revenue budget. In 2022/23 total forecast income from Council Tax is expected to exceed £104 million and in 2023/24 more than £110 million. The proposals set out in this report should increase the amount of Council Tax available to collect from 1 April 2024.</p> <p>Further details of the estimated amounts of additional Council Tax, based on current numbers of empty properties and second homes, is set out in section 3. The estimated additional income that could be collected of £506k on empty properties and £210k on second homes is based on 22/23 Council Tax rates and current property numbers. The total amount of additional income that will actually be collected from 1 April 2024, if these changes are implemented, will be subject to change as property numbers and Council Rates change.</p>
Legal Implications: (Authorised by the Borough Solicitor)	The legal implications are set out in the main body of the report.
Risk Management:	Risks are detailed in section 4 of this report.
Background Information:	The background papers relating to this report can be inspected by contacting Ilys Cookson

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1. INTRODUCTION

- 1.1 Section 11B of Local Government Finance Act 1992 amended by Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 gave local authorities powers to increase the amount of Council Tax charged in relation to empty properties. Executive Cabinet approved that charges be increased up to the maximum permissible with effect from 01 April 2019.
- 1.2 The draft Levelling Up and Regeneration Bill contains proposals to further increase Council Tax charges on empty properties and second homes. The proposals in the Bill will be inserted into the Local Government Finance Act upon legislation being passed. The Bill proposes as follows:
- Up to a maximum of a further 100% Council Tax in addition to the council tax already charged may be charged from the time the property has been empty for one year instead of the current 2 years.
 - Discretionary discounts on second homes be withdrawn
 - Second home Council Tax charges may be increased by no more than 100% of what is currently charged providing that there is no-one resident and the dwelling is substantially furnished.
- 1.3 Further conditions are set out in the Bill that local authorities must *'make the determination at least one year before the financial year to which it relates'* and that local authorities *'must publish a notice of the determination in a local newspaper within 21 days of the date of determination'*. In respect of empty properties the Bill states it *'does not matter whether the period mentioned in section 11b(8) of the Local Government Finance Act 1992 begins before this section comes into force'*.
- 1.4 A key consideration as to whether to increase Council Tax charges for empty properties and second homes is the requirement that Councils must make the decision one year in advance of the financial year to which it relates. If the Levelling Up Bill becomes an Act within the current financial year, and before 31 March 2023, then the decision to increase the charges needs to be made in advance on the assumption that the Bill will be passed, or immediately upon becoming an Act so the any increased charge can take effect from 01 April 2024.

2. CURRENT POSITION

- 2.1 Properties are left empty for a number of reasons such as a period of time between previous occupiers moving out and new occupiers moving in, properties awaiting repair, properties that are inherited and in the process of being sold for example. The length of time a property is empty can range from one day to many years. Various Council Tax reliefs are available depending on the circumstances for example where a property is empty because the occupier has died or moved into a care home. In most cases consideration is given on the affordability of paying Council Tax on an empty property by way of considering chargepayers income and expenditure as appropriate, however it must be borne in mind that some empty property owners retain the property until such time that the housing market is more buoyant. It is acknowledged that upon inheritance a property can make a chargepayer asset rich until the property is sold and solicitors undertakings to discharge a Council Tax debt from the proceeds of sale are also considered.
- 2.2 No discounts have been awarded to second homes in Tameside with effect from 01 April 2013. Although second homes are often associated with areas which attract tourists there are some second homes in Tameside which are either as a result of familial ties where the owner resides elsewhere, or owned by choice. A second home is defined in the legislation as a dwelling which is not a person's sole or main home and is substantially furnished. These dwellings are referred to in the 1992 Local Government Finance Act as dwellings occupied

periodically and are commonly called second homes. The distinction between an empty property and a second home is that a second home must be substantially furnished.

- 2.3 There are currently 1,362 empty properties in Tameside and 133 second homes. The table below details empty properties by Council Tax band as at January 2023.

Table 1: Current empty properties and second homes by Council Tax band as at January 2023

	A	B	C	D	E	F	G	H	Total
Empty up to 2 years	794	277	195	63	27	4	2	0	1,362
Empty for more than 2 years	159	31	24	7	6	2	3	0	232
Second Homes	67	27	24	6	1	6	2	0	133

- 2.4 The table below details the current Council Tax charges for empty properties and second homes.

Table 2: Current Empty Property and Second Home Council Tax Charges

Empty Properties		Second Homes	
Timeframe	Amount of Council Tax payable	Timeframe	Amount of Council Tax payable
Empty up to 24 months	100%	From date of determination the property is a second home	100%
More than 24 months and less than 5 years	200%		
Empty between 5 and 10 years	300%		
Empty for 10 years or more	400%		

3 PROPOSAL TO INCREASE

- 3.1 There are currently 341 empty properties in Tameside that are empty for more than one year but less than 2 years which could be affected if Council Tax charges are increased, as the 200% charge would commence after 12 months rather than the current 24 months and up to 5 years. The number of empty properties fluctuates on a daily basis.
- 3.2 The table below gives an estimate of the possible income from empty properties which could be raised in 2024/25, based on data as at January 2023, if legislation is passed in the current financial year¹ and approval given to increase the charge.
- 3.3 **Table 3: Possible income in 2024/25 in respect of properties that have been empty for more than one year and less than two years should the determination be made to implement after legislation approved**

¹ Note Council Tax charges set in 2024/25 will differ from those set in 2023/24. The number of empty properties fluctuates regularly.

Estimated income from empty properties based on 2022/23 Council Tax charge			
Band	Number	2022/23 charge	Total £
A	200	1322.24	264,448
B	70	1542.61	107,983
C	51	1762.99	89,912
D	13	1983.39	25,784
E	4	2424.12	9,696
F	2	2864.87	5,730
G	1	3305.63	3,306
Total	341		£506,859

Note: Based on current year data. No empty properties in Bands H.

3.4 Second homes within the Borough have been subject to a full Council Tax charge from April 2013 in accordance with the Local Government Finance Act 2012 and a decision at Council was made on 26 February 2013. There are currently 133 properties in the Borough which are classed as second homes as the persons sole or main residence is elsewhere. The table below outlines the possible income, should legislation be approved, and proposals implemented, to increase second home charges based on data as at January 2023².

3.5 **Table 4: Possible income in 2024/25 in respect of second homes should the determination be made to implement after legislation approved**

Estimated income from second homes based on 2022/23 Council Tax charge			
Band	Number	2022/23 charge £	Total £
A	67	1,322.24	88,590
B	27	1,542.61	41,650
C	24	1,762.99	42,312
D	6	1,983.39	11,900
E	1	2,424.12	2,424
F	6	2,864.87	17,189
G	2	3,305.63	6,611
Total	133		£210,676

Note: Based on current year data. No second homes in Bands H.

3.6 The following factors have been considered when proposing the increased charges:

- The proposed legislation being passed in the current year to permit Councils to increase empty properties after one year of being empty, and to increase second home charges,
- The charging principles contained in Councils Corporate Charging Policy
- A number of Greater Manchester authorities are also considering increasing the charges effective from 01 April 2024, subject to legislation,
- The Council's overall budget position as the proposal to increase charges is likely to increase Council Tax debit by an estimated £700k.

3.7 This estimate will depend on the number of empty properties and the period in which they are empty, the number of second homes, and the annual Council Tax charge. Consideration has been given to aligning second home increases with empty properties and that 100% Council Tax is charged for the first year and then subsequent increases would be as follows:

² Note the number of second homes can fluctuate and Council Tax charges in future years will differ from those set in 2023/24.

Table 5: Proposed Empty Property and Second Home Council Tax charges

Empty Properties		Second Homes	
Timeframe	Amount of Council Tax payable from 01 April 2024*	Timeframe	Amount of Council Tax payable from 01 April 2024*
Empty up to 12 months	100%*	Up to 12 months	100%
More than 12 months and less than 5 years	200%	More than 12 months	200%*
Empty between 5 and 10 years	300%		
Empty for 10 years or more	400%		

*Subject to legislation being passed before 31 March 2023

- 3.8 Alignment of the proposed charges would guard against empty property owners leaving furniture in a property and classing as a second home in an attempt to attract a reduced charge for a longer period of time ie being charged 100% Council Tax regardless as to the time frame rather than being subject to an increased charge over time as is the case with empty property charges.
- 3.9 It is therefore proposed, subject to legislation being passed in the current financial year, that Council Tax in respect of empty properties and second homes be increased to 200% charge after 12 months, effective from 01 April 2024, or at least one year after legislation is passed as by law the council has to provide 12 month's notice of the change in charge.
- 3.10 Should this decision be approved a programme of communication would be put into place. Information would be available on the Councils website, and all current owners and new owners of empty properties and second homes, would be informed to ensure that they would be aware of the increased changes as soon as possible.

4. RISKS

- 4.1 The proposals are currently contained in the Levelling Up Bill and while legislation is expected to be passed in the current financial year, that may not come to fruition. If legislation is not passed before 31 March 2023, then the proposed increase could not become effective from 1 April 2024 and the effective date would be expected to be one year after the legislation is passed in adherence to the clause that Councils must '*make the determination at least one year before the financial year to which it relates*'. This would mean that the full year effect of any increased income would be reduced.
- 4.2 There is a risk in terms of the financial assumption made as it may not result in that amount of revenue being collected as the numbers of empty properties and the period which they are empty and the number of second homes changes over time.
- 4.3 It is sometimes difficult to collect Council Tax from people who are liable for properties which are not occupied on a continuous basis and in the current economic situation, however the policy to charge Council Tax on empty properties and second homes has been in place since 2013. Extended payment arrangements based on affordability and solicitors undertakings are offered to those who have difficulty in paying for an empty property, particularly where the property has been inherited and Council Tax discounts in respect of probate are no longer applicable.
- 4.4 The current economic position may indicate that there will be fewer empty properties in the future, however the economic situation may also see some properties taking longer to sell and so be empty for a period in excess of 12 months and attracting the higher charge. Equally an increased empty property charge may deter buyers where the property requires renovation or improvement prior to occupying or selling on.

5. CONCLUSIONS

- 5.1 Proposals to increase empty property and second home Council Tax charges are contained in the Levelling Up Bill currently progressing through Parliament. The proposals in the Bill will be inserted into the Local Government Finance Act upon legislation being passed. The Bill proposes as follows:
- Up to a maximum of a further 100% Council Tax be charged from the time the property has been empty for one year instead of the current 2 years.
 - Discounts on second homes be withdrawn
 - Second home Council Tax charges may be increased by no more than 100% providing that there is no-one resident and the dwelling is substantially furnished.
- 5.2 There are currently 133 second homes in the Borough and 341 empty properties however both of these figures fluctuate. If the proposals to increase charges were implemented and based on 2022/23 Council Tax levels, an estimated income of £506,859k could be realised from empty properties and £210,676k from second homes, however it must be taken into account that Councils must *'make the determination at least one year before the financial year to which it relates'*, and the charge could not be effective until 01 April 2024 subject to legislation being passed in the current financial year.
- 5.3 Any proposed increase in Council Tax for second homes and empty properties is aligned to guard against empty property owners leaving furniture in a property and classing as a second home in an attempt to attract a reduced charge for a longer period of time.
- 5.4 Risks are identified as being the fact that legislation may not be passed in the current financial year and the effective date for implementation would not be 01 April 2024, and would be one year after the legislation is passed and which may be a later date in 2024. As the numbers of empty properties and second homes change over time the estimated income may increase or decrease, and recovery of monies on properties which are not occupied can take longer, however charges have been in place from 2013 and repayment arrangements based on affordability are offered where appropriate.

6. RECOMMENDATIONS

- 6.1 As set out at the front of the report.