



**Corporate Policy and  
Resources**

**Tuesday 19 December 2023**

**Subject: Council Tax Empty Homes Premiums 2024/25**

Report by:	Director of Change Management, ICT & Regulatory Services
Contact Officer:	Alison McCulloch Revenues Manager  alison.mcculloch@west-lindsey.gov.uk
Purpose / Summary:	To consider that the Council maximises the increased premiums payable for long term empty properties.

**RECOMMENDATION(S):**

**That;**

It is agreed to recommend to Full Council the adoption of Option 1 of the report to increase both the second home charges from 90% to 100% and long term unoccupied and substantially unfurnished property charges from 100% premium for those empty between 5 and 10 years to 200% premium i.e. charge 300% council tax and for those empty over 10 years to 300% premium i.e. charge 400% council tax.

It is also agreed to recommend an additional local exception and discount for any new owners of properties subject to a council tax premium providing evidence is provided of a firm commitment to bring the properties back into use within 12 months. This reduction would mean they would not be liable to pay council tax on the empty property for a maximum period of 12 months but, should the property become occupied within 12 months the new resident would become liable in accordance with council tax legislation. In the event that it is not brought back into use within this time period the appropriate premium charge will be restored and become due and payable.

These changes to be effective from 1 April 2024.

## IMPLICATIONS

### **Legal:**

The council must determine the council tax empty property premiums in accordance with The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018

### **Financial:** FIN/REF/94/24/MT/SSC

The recommendation is the adoption of Option 1 of the report to increase the council tax premiums payable for long term empty properties as allowed by the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 with effect from 1 April 2024.

Based on a collection rate of 75% this change would generate an income of just over £54k to West Lindsey should both of these new charges be implemented.

£54k is the WLDC share of the income. This amendment would generate additional income for the MTFP from 2024/2025 onwards.

There may be an increase in New Homes Bonus if properties are brought back into use, however the future of the scheme is unknown as the Government have not announced any allocations beyond 2023/2024.

### **Staffing:**

The changes are minimal and therefore should not impact on staff.

### **Equality and Diversity including Human Rights:**

The Equality Act 2010, section 149, outlines the provisions of the Public Sector Equality Duty which requires Public Bodies **to have due regard** to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act
- advance equality of opportunity between people who share a relevant protected characteristic and people who do not
- foster good relations between people who share a relevant protected characteristic and people who do not

The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

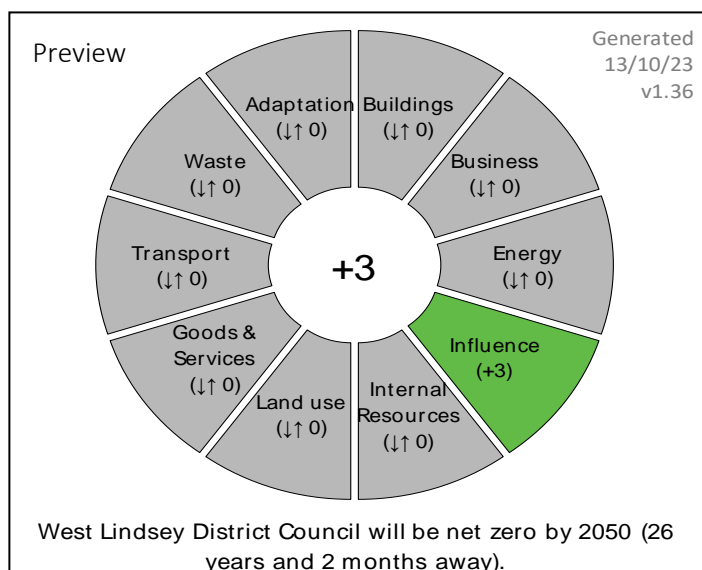
The broad purpose of this duty is to integrate considerations of equality into day to day business and keep them under review in decision making, the design of policies and the delivery of services.

It is considered unlikely that the council tax empty homes premiums referred to within this report will have an adverse impact on the protected groups under the Equality Act 2010.

### **Data Protection Implications:**

None arising from this report.

## Climate Related Risks and Opportunities:



Increasing the empty property premium will discourage owners from speculatively purchasing houses that they do not intend for immediate use. Bringing buildings back into use will reduce the need for housing demand elsewhere and reduces the need for carbon intensive construction. Mirroring the policies of the other Lincolnshire districts ensures a consistent message across Lincolnshire with regard to empty homes and shows the council's commitment to bringing them back into use.

### Section 17 Crime and Disorder Considerations:

None arising from this report.

### Health Implications:

None arising from this report.

### Title and Location of any Background Papers used in the preparation of this report:

Local Government Finance Act 2012 - <https://www.legislation.gov.uk/ukpga/2012/17/contents/enacted>

The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018

<https://www.legislation.gov.uk/ukpga/2018/25/contents/enacted>

**Risk Assessment:**

1. There is a risk that raising additional charges on empty properties could lead to an increase in council tax avoidance. This could include the creation of fictitious tenancies, increased claims for single person discount and claims for exceptions from the premium payments. This will be monitored by the Revenues team and mitigating steps will be taken to undertake property inspections where it is required to ascertain facts.
2. The number of complaints could increase which in turn increases the pressure on the Revenues resources. To mitigate this, we would deliver publicity in advance of the increased charges.
3. The premium could be seen to increase potential income; however, it could also increase the risk of non-collection. All recovery options would be used to collect any outstanding debts whilst providing assistance to any owner in genuine financial hardship. The potential non-collectible debit has been factored into the expected in year revenue.

**Call in and Urgency:**

**Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?**

*i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)*

**Yes**

**No**

**X**

**Key Decision:**

*A matter which affects two or more wards, or has significant financial implications*

**Yes**

**No**

## **Executive Summary**

This report outlines the current arrangements for the charging of Council Tax on unoccupied and substantially unfurnished property together with new powers to increase this charge under the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.

It details the reasoning behind a possible change to the current charges and seeks approval to allow an increase to the premium charges of properties that have been empty for over 5 years.

This report also outlines the current arrangements for the charging of Council Tax on furnished second homes and seeks approval to allow for a reduction of the 10% discount ie a 90% council tax charge on furnished second homes to no discount being awarded ie a 100% charge.

## 1 Introduction

Billing authorities have a discretion over the levels of council tax due in respect of second homes, properties undergoing major repairs and properties that are 'unoccupied and substantially unfurnished'.

A billing authority may also set an 'Empty Homes Premium' for properties that have been 'unoccupied and substantially unfurnished' for a specific period. The premium applied depends on how long the property has been empty, irrespective of the owner.

The premium does not apply to any empty property qualifying for a Council Tax exemption for example whilst awaiting probate to be granted or where the owner is now in a permanent resident in a hospital or care home.

The Local Government Finance Act 2012 amended legislation to enable a premium charge for homes that were unoccupied and substantially unfurnished for over two years to be charged an additional 50% on the council tax due. This was approved and implemented by WLDC with effect from 1 April 2013 meaning that owners of empty properties were charged 150% annual council tax.

The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 amended legislation to enable the premium for homes that were unoccupied and substantially unfurnished for over two years to be increased from 50% to 100% meaning that owners became liable for a 200% annual council tax charge. This was approved by the Council and implemented with effect from 1 April 2019. This act also enabled the premium to be increased from 1 April 2020 for properties empty over 5 years to 200% and from 1 April 2021 to increase the premium for dwellings empty over 10 years to 300%. West Lindsey has charged a 100% premium since 1 April 2019 for all properties empty and unfurnished over 2 years.

## 2 Corporate Plan Objectives and the Housing Strategy

The West Lindsey Corporate Plan 2023 and the West Lindsey Housing Strategy both detail the requirement to assist in meeting housing need and reduce the number of empty properties in the district as detailed below:

### **The West Lindsey Corporate Plan 2023**

*"Our Place" theme – Quality Housing: To facilitate quality, choice and diversity in the housing market, assist in meeting housing need and demand, and to deliver high quality housing related services that support growth.*

### **West Lindsey Housing Strategy:**

Priority theme "Improving Homes and Transforming Places".

*Improving the existing housing stock and the resulting benefits to residents, and communities is a key priority for the council. Whilst we do not own or manage any housing stock we wish to work with others to achieve a number*

*of outcomes including raising housing standards, addressing energy efficiency and reducing fuel poverty. Reducing the number of empty homes in the district will also be addressed under this theme.*

### **3 Current Situation**

#### **3.1 Empty properties**

Currently the council awards a 100% discount i.e. no charge, in respect of properties that are unoccupied and substantially unfurnished for up to 2 months. Following this discount period, a charge of 100% becomes due and a premium, for properties that remain unoccupied and substantially unfurnished for 2 years or more, then becomes due. The premium charged is 100% regardless of whether a property has been empty for 2 years or 10 years which makes for an annual charge of double the amount of the council tax.

Since 2020, local authorities have been able to increase this premium to 200% for properties empty for between 5 and 10 years (making a charge of 3 times the annual council tax) and, since 2021, 300% for those properties empty over 10 years (making a charge of 4 times the annual council tax).

#### **3.2 Furnished Second Homes**

Currently, in line with council tax legislation, a discount of 50% from the council tax is awarded when a property is left empty due to its owner being contractually bound to live in a particular property provided by an employer and where they are liable to pay the council tax as their sole or main residence.

Other properties that are furnished but unoccupied attract a discount of 10% from the council tax making them liable for a 90% council tax charge.

Since 2013 local authorities have been able to reduce the discount for furnished but unoccupied properties from 10% to zero thus enabling them to charge a 100% council tax for most furnished second homes.

### **4 Why consider a change to the Second Home Charge and Long-Term Empty Property Premium?**

The intention behind this proposal is not to increase revenue through council tax but to assert some pressure on owners of empty properties to bring them back into use and thus to address the availability of homes within the district and provide homes for people who need them. Figures indicate that there are 203 properties that have been unoccupied and substantially unfurnished for 2 years or more in the West Lindsey district that could be in use or brought back into use, but which are being left vacant.

Properties that remain empty for long periods of time often deteriorate and this could, in turn:

- encourage anti-social behaviour such as fly tipping, vandalism and arson increasing in a particular area
- reduce the value of the empty home and the neighbouring properties



- create additional renovation costs to the owner as the empty home deteriorates over time
- increase environmental health risks from vermin and waste plus create additional clearance costs to the owner
- increase the risk of squatters

Bringing long term empty properties back into use does result in the Council receiving a New Homes Bonus reward. The future of this scheme is not yet known however, if this continues to be awarded it could see the council receiving an additional sum for any long-term empty property being brought back into use.

## 5 Consultation

There is no requirement to consult on changes to the Empty Homes Premium or the Second Home discount however, as part of the council tax support consultation two questions were asked:

**Do you agree that the furnished second home charge of 90% of the council tax should be increased to 100%?**

Answer	Number	%
Yes	164	77%
No	35	17%
Don't know	13	6%

**Do you own a furnished second home?**

Answer	Number	%
Yes	5	2%
No	207	98%
Don't know	0	0

### 5.1 Comments from Responders

- I believe that increasing a second home charge to 100% would create more revenue for services offered across West Lindsey from customers who can afford it, as typically if the customer has a second home then i would suspect 99% of them are high income households
- Second homes should pay 45% more council tax also houses that stand empty for ten months a year should be compulsory purchased for the homeless
- Only disagree with full rate council tax on second homes furnished. Surely only 100% can be charged if occupied 100% of the time.
- It is most important that 2nd home owners pay the full rate of Council Tax

- I have previously owned a second home subject to council tax. This was not a holiday home but a rental property which became a financial burden between the departure of the tenant and its eventual sale. I am not opposed to the idea of levying tax on second properties provided that a distinction is made between inhabited or income-generating properties and empty properties that can hit the incomes of small-scale landlords
- Everything mentioned seem fair to me as a residence. If people have second homes in the area they need to pay fully for them
- I personally think second home should receive no reduction, if you can afford two homes you can afford two lots of council tax
- Second home owners bring a great deal of tourism to our area and should not be charged any more CT than any ordinary home owner. I would not want to see WLDC following some other councils that are charging double CT or more as this will spell 'death' to 2nd home owners and thereby adversely affect our much needed tourism
- Second homes should have a council tax of 5x normal council tax
- Some people are not wealthy but do have second homes. Perhaps the 100% charge should be for those that have an annual income of over £100k

## 5.2 Key Stakeholders

Colleagues in the Housing, Health and Wellbeing and Environmental Enforcement were also consulted for their opinions and feedback into these proposed changes. They were supportive to the measures being considered as positive in attempting to bring empty homes back into occupation as either rental or by being sold.

It was also commented that some second home owners were not proactive in maintaining the collection of their waste and in some cases it has resulted in residents having to make complaints to the empty homes officer to ensure the waste hazard was dealt with.

## 6. Other Lincolnshire District Charges

The table below details the current charges approved by the Lincolnshire district councils.

Local Authority	Current 2 <sup>nd</sup> home charge	Current Empty Property Charges		
		2-5 years	5-10 years	Over 10 years
Boston	100%	200%	300%	400%
City of Lincoln	100%	200%	300%	400%
East Lindsey	100%	200%	300%	400%
North Kesteven	90%	200%	300%	400%
South Holland	100%	200%	300%	400%
South Kesteven	90%	200%	300%	400%
<b>West Lindsey</b>	<b>90%</b>	<b>200%</b>	<b>200%</b>	<b>200%</b>

Whilst 3 out of 7 districts currently charge 90% for furnished second homes West Lindsey is the only district not to have increased the empty property charges.

## 7 Exceptions to the Empty Homes Premium

In accordance with council tax legislation the following exemptions from the premium will apply to properties that would normally be subject to the Empty Homes Premium:

- Homes that are empty due to the occupant living in armed forces accommodation for job-related purposes
- Annexes being used as part of a main property
- Homes that are a residential pitch occupied by a caravan or a mooring occupied by a boat will not be liable for the empty homes premium and will qualify for a 50% discount.

In certain circumstances long term empty properties liable for a 100% premium charge may be eligible for an exception to this premium, reducing the charge to 100% Council Tax. This is awarded for a maximum of 12 months, but certain criteria must be fulfilled:

- Owners who are genuinely attempting to sell or let their property which has been vacant for at least 2 years
- Owners who are experiencing particular legal or technical issues preventing the sale or let of the property
- Owners who are in negotiation with the Empty Property team

## **Additional Exception/Discount**

In order to encourage the renovation and therefore enable long term empty properties to be brought back into use, it is recommended that a further exception and local discount be awarded provided the following criteria is met:

- The property must have changed hands, and the new owner must provide evidence of a firm commitment to bring the property back into use within 12 months.

In these circumstances an exception to the charge will be made alongside a local discount of 100% which will reduced the council tax charge to zero for a maximum period of 12 months. Should the property become occupied within 12 months the new resident would become liable in accordance with council tax legislation. In the event that it is not brought back into use within this time period the appropriate premium charge will become due and payable.

This exception and discount would be at the expense of West Lindsey District Council however, once the property was renovated and occupied a normal council tax charge would become due and payable and a long-term empty property would have been brought back into use thus fulfilling both the Corporate Plan Objectives and the Housing Strategy to assist in meeting housing need and demand, and to deliver high quality housing related services that support growth whilst at the same time reducing the number of empty homes in the district.

## **8 Costings**


### **8.1 Furnished Second Home Calculations**

The table below details the number of furnished second homes we currently have on our council tax database who are in receipt of a 10% discount.

It details the charge WLDC currently receives at 90% and the amount that would be returned if the charge was increased to 100%.

If 100% of the second home charges were collected WLDC would see an increase in Revenue of over £5k if a collection rate of 75% of the total sum charged was achieved.

**Current Total Furnished Second Home Properties and charges for 2023/24**

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Totals
 <b>Total No of second home properties in each band charged at 90% ie 10% discount</b>	100	49	53	24	8	8	5	1	248
<b>Current Annual Council Tax per property at 90% ie 10% discount</b>	£1,266.43	£1,477.49	£1,688.56	£1,899.64	£2,321.78	£2,743.92	£3,166.07	£3,799.28	£18,363.16
<b>Total Charge at 90%</b>	£126,642.60	£72,397.21	£89,493.79	£45,591.34	£18,574.20	£21,951.36	£15,830.33	£3,799.28	£394,280.09
<b>100% council tax charge</b>	£1,407.14	£1,641.66	£1,876.18	£2,110.71	£2,579.75	£3,048.80	£3,517.85	£4,221.42	£20,403.51
<b>Potential income generation if charged at 100%</b>	£140,714.00	£80,441.34	£99,437.54	£50,657.04	£20,638.00	£24,390.40	£17,589.25	£4,221.42	£438,088.99
<b>Potential Increase IF all 100% charge is collected</b>	£14,071.40	£8,044.13	£9,943.75	£5,065.70	£2,063.80	£2,439.04	£1,758.93	£422.14	£43,808.90
<b>Split of Funding by authorities and value of potential increase IF all collected</b>									
	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Totals
Lines CC - 75%	£10,553.55	£6,033.10	£7,457.82	£3,799.28	£1,547.85	£1,829.28	£1,319.19	£316.61	£32,856.67
Lines PCC - 12.5%	£1,758.93	£1,005.52	£1,242.97	£633.21	£257.98	£304.88	£219.87	£52.77	£5,476.11
WLDC - 12.5%	£1,758.93	£1,005.52	£1,242.97	£633.21	£257.98	£304.88	£219.87	£52.77	£5,476.11

## 8.2 Long Term Empty Properties

The table below details the number of long-term empty homes we currently have on our council tax database who are in receipt of a 100% premium on the council tax charge.

It details the charge WLDC currently receives and what could be achieved if the premiums were increased to 300% for homes empty between 5 years and 10 years and 400% for homes empty over 10 years.

If these charges were implemented and collected in full WLDC would see an increase in Revenue of just over £65k.

It is unlikely the full liability would be collected and therefore it is estimated that a 75% collection rate would be achievable which would generate additional Revenue of just under £49k.

In contrast the Lincolnshire County Council would see an increase of £390k.

Current Total Long Term Empty Properties (empty for 2 years or more) and charges for 2023/24									
	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Totals
Total No of empty properties in each band	127	27	22	14	3	1	4	5	203
Empty between 2 years and 5 years	68	16	14	10	1	1	2	3	115
Empty between 5 years and 10 years	25	3	3	2	1	0	1	1	36
Empty Over 10 years	34	8	5	2	1	0	1	1	52
Current Annual Council Tax per property at 100%	£1,407.14	£1,641.66	£1,876.18	£2,110.71	£2,579.75	£3,048.80	£3,517.85	£4,221.42	
Current Annual Charge per property at 200%	£2,814.28	£3,283.32	£3,752.36	£4,221.42	£5,159.50	£6,097.60	£7,035.70	£8,442.84	
<b>Total income generation of long term empty properties at 200% charge</b>	<b>£191,371.04</b>	<b>£52,533.12</b>	<b>£52,533.04</b>	<b>£42,214.20</b>	<b>£5,159.50</b>	<b>£6,097.60</b>	<b>£14,071.40</b>	<b>£25,328.52</b>	<b>£389,308.42</b>

Potential Charges for Total Long Term Empty Properties (empty for 5 years or more) based on charges for 2023/24									
	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Totals
Total No of empty properties in each band	127	27	22	14	3	1	4	5	203
Empty Between 2 years and 5 years	68	16	14	10	1	1	2	3	115
Income generation at 200% charge	£191,371.04	£52,533.12	£52,533.04	£42,214.20	£5,159.50	£6,097.60	£14,071.40	£25,328.52	£389,308.42
Empty between 5 years and 10 years	25	3	3	2	1	0	1	1	36
Potential income generation at 300% charge	£105,535.50	£14,774.94	£16,885.62	£12,664.26	£7,739.25	£0.00	£10,553.55	£12,664.26	£180,817.38
Empty Over 10 years	34	8	5	2	1	0	1	1	52
Potential income generation at 400% charge	£191,371.04	£52,533.12	£37,523.60	£16,885.68	£10,319.00	£0.00	£14,071.40	£16,885.68	£339,589.52
<b>Total Income Generation</b>	<b>£488,277.58</b>	<b>£119,841.18</b>	<b>£106,942.26</b>	<b>£71,764.14</b>	<b>£23,217.75</b>	<b>£6,097.60</b>	<b>£38,696.35</b>	<b>£54,878.46</b>	<b>£909,715.32</b>

<b>Potential Increase IF all collected</b>	£296,906.54	£67,308.06	£54,409.22	£29,549.94	£18,058.25	£0.00	£24,624.95	£29,549.94	£520,406.90
<b>Split of Funding by authorities and value of potential increase IF all collected</b>									
Lincs CC - 75%	£222,679.91	£50,481.05	£40,806.92	£22,162.46	£13,543.69	£0.00	£18,468.71	£22,162.46	£390,305.18
Lincs PCC - 12.5%	£37,113.32	£8,413.51	£6,801.15	£3,693.74	£2,257.28	£0.00	£3,078.12	£3,693.74	£65,050.86
WLDC - 12.5%	£37,113.32	£8,413.51	£6,801.15	£3,693.74	£2,257.28	£0.00	£3,078.12	£3,693.74	£65,050.86
<b>Estimated collection rate for long term empty properties = 75%</b>									
WLDC	£27,834.99	£6,310.13	£5,100.86	£2,770.31	£1,692.96	£0.00	£2,308.59	£2,770.31	£48,788.15

## 9 New Legislation

New legislation is expected before the end of the financial year 23/24 which would enable local authorities to reduce the period classed as long-term empty from 2 years down to 1 year. This would enable a premium charge to be made once a property has been unoccupied and substantially unfurnished for 1 year only.

It is also expected that there will be an opportunity to charge further premiums for furnished second homes.

It is not suggested, at this time, that this be considered as an option, but it may be possible to revisit this legislation once it is passed by Parliament.

## 10 Options

### Option 1 (preferred option)

Agree to increase both second home charges from 90% to 100% and long term unoccupied and substantially unfurnished property charges from 100% premium for those empty between 5 and 10 years to 200% premium ie charge 300% council tax and for those empty over 10 years to 300% premium ie charge 400% council tax. These changes to be effective from 1 April 2024.

Agree to an additional local exception and discount for any new owners of properties subject to a council tax premium providing evidence is provided of a firm commitment to bring the properties back into use within 12 months. This reduction would mean they would not be liable to pay council tax on the empty property for a maximum period of 12 months but, should the property become occupied within 12 months the new resident would become liable in accordance with council tax legislation. In the event that it is not brought back into use within this time period the appropriate premium charge will be restored and become due and payable.

## **Option 2**

Agree to increase second home charges from 90% to 100% with effect from 1 April 2024 but make no change to long term unoccupied and substantially unfurnished property charges.

## **Option 3**

Agree to increase long term unoccupied and substantially unfurnished property charges from 100% premium for those empty between 5 and 10 years to 200% ie charge 300% council tax and for those empty over 10 years to 300% ie charge 400% council tax but to make no change to the second home charges. This change to be effective from 1 April 2024.

## **Option 4**

Agree to make no change to either second home charges or long term unoccupied and substantially unfurnished property charges

## **Option 5**

Agree to increase both second home charges from 90% to 100% and long term unoccupied and substantially unfurnished property charges from 100% premium for those empty between 5 and 10 years to 200% premium ie charge 300% council tax and for those empty over 10 years to 300% premium ie charge 400% council tax. These changes to be effective from 1 April 2024.

No additional exceptions or discounts to be awarded.

## **11 Conclusion**

A collection rate of 75% would generate an income of just over £54k to West Lindsey should both of these new charges be implemented.

As of October 2023, the total liability for the 10% second home discount since 1 April 2004 is £4.8m and of that £193k remains outstanding making a total collection rate of 96.13%

The total liability relating to the empty homes premium raised since 1 April 2019 is £5.2m and of that £565k remains outstanding making a total collection rate of 89.15%.

Recovery action is being taken in respect of any accounts not being paid but of the 51 that have been empty for over 10 years only 3 accounts are presently in arrears.

Charging orders are the last resort for recovery of these debts which can result in an order for sale being awarded. This action usually results in payment in full either by the council taxpayer clearing their liability or by the sale of the property which clears the council's liability and enables the property to be brought back into use.



## **Communication**

If the recommended changes are approved by full council a letter will be issued to all empty property owners to advise them of the new charges due to come into effect from 1 April 2024. This information will also be made available on our website and via social media. Time permitting we will also communicate this to landlords via their forum meetings.