

SLOUGH BOROUGH COUNCIL

REPORT TO:	Cabinet
DATE:	27 February 2023
SUBJECT:	Update on Discretionary Council Tax premium on empty properties and second homes
CHIEF OFFICER:	Steven Mair – Executive Director – Finance and Commercial (S151)
CONTACT OFFICER:	Andy Jeffs – Interim Head of Transactions – Revenues, Benefits and Charges
WARD(S):	All
PORTFOLIO:	Cabinet Member for Customer Services, Procurement and Performance – Councillor Ajaib
KEY DECISION:	No
EXEMPT:	No
DECISION SUBJECT TO CALL IN:	Yes
APPENDICES:	None

1 Summary and Recommendation

- 1.1 As a Council Tax billing authority, Slough Borough Council must adopt policies for the application of discretionary Council Tax premiums.
- 1.2 In May 2022 the Government's Levelling Up and Regeneration Bill (the Bill) put forward discretionary Council Tax premium options on long term empty properties and dwellings occupied periodically (second homes). If the Bill receives Royal Assent before 31 March 2023, these options will become available to billing authorities with effect from 1 April 2024 at the earliest.
- 1.3 The Government has confirmed that billing authorities that wish to adopt premiums for second homes are required to make a determination confirming their requirements at least 12 months prior to the financial year in which the changes will come into effect, meaning that the Bill will need to obtain Royal Assent prior to 1 April 2023 in order to adopt the changes for the year commencing 1 April 2024.

Recommendations

Cabinet is recommended to:

(a) Delegate authority to the Executive Director for Finance and Commercial, following consultation with the Cabinet Member for Customer Services, Procurement & Performance, to devise a policy for additional Council Tax premiums to be introduced for:

- 100% premium for properties which have been empty and unfurnished for a period between 1 (previously 2) and 5 years;
- 100% premium for second homes; and
- To bring the policy to full Council once the legislation is in force.

Reason

- 1.4 To explore opportunities for the Council to introduce changes to its discretionary Council Tax premiums at the earliest opportunity.

Commissioner Review

- 1.5 The Commissioners are content with this report.

2 Report

Introduction

- 2.1 This report sets out the recommendations for Council Tax premiums on long term empty properties and second homes if the proposals set out within the Bill achieve Royal Assent. Early agreement to devise a policy and review the Council Tax properties impacted will allow the Council to make timely decisions if Royal Assent is granted and the legislative powers remain as currently set out in the Bill.

Background

- 2.2 The Government encourages all billing authorities to adopt Council Tax premiums on empty properties with a view to incentivising property owners to bring those properties back into use at the earliest opportunity. A 100% premium can currently be charged where properties are left unoccupied and unfurnished for periods exceeding two years – this is the current approach by Slough Borough Council, as well as a 200% premium for properties which are empty for five years and over and 300% for 10 years and over.
- 2.3 In May 2022, the Government published the Levelling Up and Regeneration Bill (the Bill). The Bill includes proposals aimed at further addressing empty properties through the application of Council Tax premiums, in addition to measures which recognise the impact that high levels of second home ownership can have in some areas. Through the Bill it is the Government's intention to:
- Reduce the minimum period for the implementation of a Council Tax premium for empty premises from two years to one.

- Allow Councils to introduce a Council Tax premium of up to 100% in respect of second homes.
- 2.4 The changes outlined above are subject to the Bill receiving Royal Assent and will become effective from 1 April 2024 at the earliest. In its current form the Bill requires billing authorities to make a resolution confirming their intentions on the application of the premiums at least 12 months prior to the financial year in which the changes will come into effect. This means that the Bill will require Royal Assent to be obtained prior to 1 April 2023 for billing authorities to be given the powers to make a resolution and adopt the changes for the year commencing 1 April 2024 and an authority would need to make a determination prior to 1 April 2023.
 - 2.5 The Bill is progressing through Parliament and is currently at committee stage in the House of Lords. This stage is expected to finish by the end of February. It is currently uncertain whether the Royal Assent will have been granted in time to allow the changes to be implemented in the 2024 year.
 - 2.6 This report seeks delegated authority from Members to commence work on devising a policy with a view to this being brought back for a decision by Council when Royal Assent is granted.
 - 2.7 The CTB1 completed in October 2022 showed that there were 383 second homes within Slough. It is recognised that second home ownership can have a negative impact in terms of the supply of homes available to meet local housing need. Initial, high-level analysis shows that the application of a 100% premium on second homes within Slough could generate around £0.4m in additional Council Tax revenue, excluding allowance for non-collection. However, this will be subject to consider whether the second homes meet the statutory definition and that changes are not made to reflect the up-to-date occupancy arrangement.
 - 2.8 Empty homes are a much more fluid position. Current CTB1 data shows 150 properties being charged a 100% premium as they have been empty for greater than two years. The additional charge for this is £0.2m. It cannot be assumed that a change in timescales for empty home premiums will result in this additional income.
 - 2.9 Income generated from the premium would be shared across the main preceptors (including the Thames Valley Police & Crime Commissioner), although the majority of revenue, circa 88% would benefit Slough Borough Council.
 - 2.10 Introducing the premiums would increase the Council Tax base. The impact on Parish Councils, who set their precept based on the tax base, would be that they could potentially generate more revenue through the precept but with it having less of an impact on the direct charge to residents due to the larger tax base.
 - 2.11 Some properties that are currently assumed to be second homes may be changed to reflect the reality of the occupancy arrangement. This includes properties that are available to let for the prescribed period.
 - 2.12 Currently, only properties that are available to let for more than 20 weeks (140 days) in a calendar year should be rated as business rates by the Valuation Office Agency (VOA). From April 2023, this criteria will still apply but additionally it must be evidenced by the owner to the VOA that the property was also actually let for short periods totalling at least 70 days in the previous year. This change should help to

ensure that any properties transferring from Council Tax to Business Rates relate to genuine circumstances where the property is being utilised for business purposes in accordance with the government's legislation and might also mean that some properties currently categorised for Business Rates will need to be transferred to Council Tax.

- 2.13 Even though the Council currently asks people to declare if their property is being used as a second home, given that the Council Tax charge for second homes currently mirrors that of main residences, there may also be a risk that the current classification of properties within the Council Tax system is not wholly accurate. Consideration will be given to how to mitigate against inaccurate classification as part of devising a policy.
- 2.14 It is hoped that the amended timescales and additional premiums will further incentivise the occupation of empty properties as well as generate additional Council Tax income (estimated at up to £0.6m) for precepting bodies; facilitating the delivery of essential front-line services within Slough.

3 Implications of the Recommendations

3.1 Financial implications

- 3.1.1 If adopted these changes will generate additional Council Tax income estimated up to £0.6m pa 88% of which would go to Slough Council. Any additional processing costs can be absorbed within the current revenue budget.

3.2 Legal implications

- 3.2.1 The recommendations set out within this report are subject to the Levelling Up and Regeneration Bill receiving Royal Assent and relevant sections being brought into force. The Bill provides that regulations can be made and guidance must be taken into account. It is not yet known whether regulations will be made listing classes of properties which will be exempted or whether guidance will be issued.

3.3 Risk management implications

- 3.3.1 There are no specific issues arising directly from this report.

3.4 Environmental implications

- 3.4.1 There are no specific environmental implications arising directly from this report.

3.5 Equality implications

- 3.5.1 There are no equality implications arising directly from this report.

4 Background Papers

None