

Crawley Borough Council

Report to Overview and Scrutiny Commission 11 March 2024

Report to Cabinet 13 March 2024

Second Home Council Tax Premium

Report of the Head of Corporate Finance (s151 Officer) **FIN/648**

1. Purpose

- 1.1. The Levelling-up and Regeneration Act came into force on 26 October 2023. The Act allows councils to charge higher Council Tax on properties that are defined as long term empty homes and properties that are only occupied occasionally (second home). The additional charge is intended to encourage owners to bring properties back into use and could boost the supply of properties in the borough.
- 1.2. The report recommends that the changes to the Empty Property (Empty Property) premium and changes to the Dwellings Occupied Periodically (Second Homes) are introduced from 1 April 2025.

2. Recommendations

- 2.1. To the Overview and Scrutiny Commission:

That the Commission consider the report and decide what comments, if any, it wishes to submit to the Cabinet.

- 2.2. The Cabinet is requested to recommend that Full Council:

- a) Approve a Premium of 100% for dwellings which are unoccupied and substantially unfurnished (Empty Homes Premium) after 1 year, instead of two years from 1 April 2025;
- b) Approve the application of a premium for dwellings Occupied Periodically (Second Homes) charged at 100% (twice the current Council Tax Amount) from 1 April 2025;
- c) Delegate authority to the Head of Corporate Finance (Section 151 Officer) to implement this Council's policy on premiums in line with statute and any subsequent guidance issued by the Secretary of State following the outcome of the consultation (Appendix A) which recommends exceptions to the second homes premium in certain circumstances.

3. Reasons for the Recommendations

- 3.1. The Council declared a housing emergency at the Full Council meeting on 21 February 2024. The aim of introducing a council tax premium on long term empty homes and second homes is to reduce the number of empty homes within the borough and to encourage the use of premises as main residences by local residents rather than second homes.

4. Background

- 4.1. The Levelling-up and Regeneration Act 2023 came into force on 26 October 2023. The 2023 Act enables the Council, as billing authority, to impose an empty homes premium after one year instead of two. The Council can also impose a higher charge Council Tax on properties that are only occupied occasionally (the Second Home Council Tax Premium).
- 4.2. The report identifies decisions required by Full Council and makes the recommendation to change the Council's approach in respect of certain discretionary areas within Council Tax legislation. It is recommended that the charge will take effect from 1 April 2025.

5. Council Tax Premium Changes:

Empty homes premiums

- 5.1. Section 79 of the 2023 Act will allow the Council as billing authority to impose an empty homes premium after one year instead of two.
- 5.2. Section 79 provides that billing authorities must have regard to any guidance issued by the Secretary of State when deciding whether to implement an empty homes premium and it is expected that the current guidance drafted by government in 2013 will be updated. This change to guidance will come into effect from the 2024/25 financial year. It is proposed to implement this change from 1 April 2025 to enable the Council to update its policies and gather and interpret the information required.
- 5.3. There are currently 35 empty properties attracting a Council Tax premium by falling under the definition of being a dwelling that is substantially unfurnished and unoccupied. The list of 35 properties is comprised of: 26 properties which have been unoccupied between 2 and 5 years; 5 properties that have been empty between 5 and 10 years; and 4 properties which have been empty for over 10 years. In addition there are approximately 500 properties on the Council Tax database some of which could potentially attract the 100% premium a year earlier (one year instead of two years). However, it should be noted that it is impossible to identify the number of properties that will remain empty on 1 April 2025, particularly when compared to the current number of long-term empty properties vacant for 2+ year (35 properties in total).
- 5.4. The legislation will also bring in exemptions to the premium, which would further reduce any potential income. The estimated figure is therefore likely to drop significantly. The exemptions are summarised in Appendix A.

Second Homes premiums

- 5.5. Section 80 of the 2023 Act will allow all English billing authorities to charge a premium of up to 100% on second homes (no one's sole or main residence and which is substantially furnished) from 1 April 2025.
- 5.6. It is recommended that the Council resolves to apply a premium of 100% on second homes with effect from 1 April 2025. The legislation requires that the Council gives at least one year's notice from the date of a Full Council resolution and the change can only be effective from the commencement of a financial year, the earliest being 1 April 2025.
- 5.7. There are currently 331 second properties in the Council Tax database. However, the exact number of second properties within the borough is difficult to determine as there is currently no requirement or incentive for customers to notify the Council Tax team of a second property. An exercise will be undertaken to confirm that all the 331 second properties noted in the Council Tax database remain second properties. This will not, however, tell the

Council about second homes that are not currently identified as second homes. Reviewing all homes on the database will be a significant task.

- 5.8. Modelling the current data of 331 second homes as a proxy, additional income of approximately £77k might be generated for the Council. However, this is likely to decrease. The increase in the second home premium from April 2025 was included in the [Budget Strategy 2024/25 to 2026/27](#) approved by Full Council in December 2023 and is reflected in the financial forecast.

6. Information & Analysis Supporting Recommendation

- 6.1. The proposed increases in Council Tax Premiums for Second Homes and Empty Homes are discretionary. The Council could choose not to implement the premiums. However, this would not encourage the use of premises as main residences by local residents rather than second homes or to reduce the number of empty properties in the borough.

7. Implications

- 7.1. The resolution by the Full Council arising from the recommendations in this report should be published in the local newspaper within 21 days of the resolution being made.
- 7.2. If the recommendation is accepted, any additional income would be shared with West Sussex County Council and the Sussex Police and Crime Commissioner. Based on current modelling the increase in council tax from 1 April 2025 is summarised in the table below:

Preceptor	Second Homes Premium	Percentage
	£	
Crawley Borough Council	76,825	11%
Sussex Police and Crime Commissioner	83,713	11%
West Sussex County Council	567,648	78%
	728,186	100%

- 7.3. Additional resource will be needed to cleanse and potentially collect new data for both Long Term Empty Homes and Second Homes, as well as additional administration time spent dealing with the correspondence, non-compliance and complaints. This cost will be borne by the Council as the billing authority and should be netted from the additional income generated.
- 7.4. The main risk associated with the implication of the recommendations will be the increase in non-compliance, with some taxpayers actively trying to avoid the new charges by providing incorrect information to the Council.
- 7.5. The Council already has processes and procedures in place in order to ensure that all charges are applied correctly. Further compliance procedures will be established to ensure that the new second homes premium is applied in accordance with the legislation and the Council's requirement.
- 7.6. There may be circumstances where the implementation of these changes (percentage increases in the level of premiums) may cause exceptional hardship to a taxpayer. In such cases, the Council will consider applications for a reduction in liability under its Section 13A (1)(C) of the Local Government Finance Act 1992 - Reduction in Council Tax liability policy.

8. Background Papers
[Levelling-up and Regeneration Act 2023](#)

Report author and contact officer:
Officer name Carolin Martlew Head of Corporate Finance
Email address [carolin.martlew@Crawley.gov.uk](mailto:carolin.martlew@ Crawley.gov.uk)
Phone number 01293 8263

Exceptions from the premiums (empty homes premiums and second homes premium)

The government has released a consultation paper [Consultation on proposals to exempt categories of dwellings from the council tax premiums in England - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/consultation-on-proposals-to-exempt-categories-of-dwellings-from-the-council-tax-premiums-in-england)

The consultation (which has now ended), sought views on possible categories of dwellings which should be dealt with as exceptions to the council tax premiums. It covers the empty homes premium, and also the second homes premium, provisions for which are included within the Levelling-up and Regeneration Act.

The consultation proposes that there will be circumstances where either premiums will either not apply or be deferred for a defined period of time. These are as follows:

Empty properties and second homes where probate has been awarded will have a 12-month exception from the premium at the end of the statutory 6-month exemption period.

- Empty properties and second homes being actively marketed for sale or to let would receive a 6-month exception from the premium.
- Empty properties undergoing major repairs would receive a 6-month exception from the premium.
- Annexes forming part of or being treated as part of the main dwelling would be an exception from the second home premium applied.
- Properties currently receiving a 50% job related second home discount would be an exception from the second home premium.
- Occupied caravan pitches and boat moorings would be an exception from the second home premium.
- Seasonal homes where year-round or permanent occupation is prohibited or has been specified for use as holiday accommodation would be an exception from the second home premium.