



Agenda Item:

COUNCIL: 22<sup>nd</sup> February 2023

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**Report of:** Corporate Director of Transformation, Housing & Resources

**Relevant Portfolio Holder:** Councillor Adam Yates

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**SUBJECT: COUNCIL TAX REFORMS – SECOND HOMES AND EMPTY HOMES**

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Wards affected: Borough wide

### **1.0 PURPOSE OF THE REPORT**

- 1.1 To consider proposed changes to the council tax charged on second homes and long-term empty properties.

### **2.0 RECOMMENDATIONS**

- 2.1 Subject to the Levelling Up and Regeneration Bill becoming Law, that the proposed changes to council tax discounts set out in Appendix B be approved.

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### **3.0 BACKGROUND**

- 3.1 Under the national council tax system, taxpayers in certain circumstances have been entitled to reductions in their council tax bills, with the most well-known categories being 25% single persons discount and student exemption. However, discounts and exemptions were previously also available on certain types of empty property and second homes.
- 3.2 In 2013 Parliament approved a Local Government Finance Act, that gave Local Authorities the power to determine the discounts that are applied to council tax charges on empty properties and second homes. Consequently, the Council introduced changes to the discounts charged in April 2013, with additional amendments to the scheme being made in April 2017 & April 2019.

- 3.3 Parliament are proposing further changes which are subject to the Levelling Up and Regeneration Bill becoming law, this will give local authorities the power to determine the discounts that are applied to council tax charges on second homes and long-term empty homes. Consequently, the Council now needs to consider whether to change the discounts it provides from April 2024. For information, a full list of current council tax exemptions/empty property discounts are set out in Appendix A. For the avoidance of doubt the changes will only apply to the discounts on second homes and long-term empty homes.

The additional charges could over time help make more homes available to West Lancashire residents, whilst generating extra income towards local services in West Lancashire.

#### **4.0 POLICY CONTEXT**

- 4.1 The Councils Fees and Charges set out a range of factors that need to be considered in making decisions on what discounts, if any, should be offered. Some of the key points to take into account are as follows:

- Decisions to offer discounts should be based on fair, transparent and objective criteria.
- Discounts are likely to be more appropriate in relation to improving well-being, and encouraging changes in behaviour.
- Any discounts offered should support the Councils corporate priorities.
- All changes imposed by the Council should be reasonable.
- The Councils approach and policy on charging should be clearly communicated to the public.
- Whether the cost of providing the discount be accommodated within the Councils budget?
- Reasonable notice should be given to service users before new charge is implemented.

- 4.2 The proposed changes provide an opportunity to generate additional income from reducing the level of existing council tax discounts, which is an important consideration, given the difficult medium term financial position facing the Council. However, it should be recognised that only around 12% of council tax income is received by the Borough Council, with the balance going to the County Council, Police Authority, Fire Authority, and Parish Councils.

- 4.3 The proposed changes also provide a positive opportunity for the Council to consider how it can use the council tax system to provide financial incentives to discourage people from leaving properties vacant for long periods. Given the housing issues within the Borough this could help increase the amount of housing available, which is an important consideration.

## **5.0 PROPOSALS**

- 5.1 Second Homes (a furnished dwelling that is not the sole or main residence of any individual) in the Borough are currently charged at the full rate of council tax. The proposed changes set out in the Levelling up and Regeneration Bill, would double this. This change would affect around 85 properties.
- 5.2 Currently properties that are empty and unfurnished are eligible for a 50% discount for a period dependant on the reason it is empty (refer to Appendix A), following this period they are charged at the full rate. If the property is not actively marketed for sale/let and has been unoccupied for a continuous period of over 2 years, the liable person is already charged an Empty Homes Premium in accordance with the below structure:
- Properties empty for a period of 2 – 5 years - the maximum premium will be 100% (PREM100).
  - Properties empty for a period of 5 – 10 years - the maximum premium will increase to 200% (PREM200).
  - Properties empty for a period of 10+ years – the maximum premium will increase to 300% (PREM300).

As of November 2022, there are currently 141 properties in the Premium 100, 55 in the Premium 200 and 40 in the Premium 300 category.

- 5.3 Under the new proposals there will be the ability to impose the Premium charge after 1 year of being empty. The main consideration here is to encourage faster turnaround times on empty properties and thereby aid the reduction in properties becoming long term empty. This approach will still provide a reasonable but not excessive discount to support short term void periods between tenancies.
- 5.4 In accordance with Central Government guidance, any change would need at least a year to come into effect and so, subject to changes in national law, these would be applied from April 2024.

The current and proposed arrangements are summarised in Appendix B for ease of reference.

## **6.0 ISSUES**

- 6.1 To support the delivery of this change the Levelling Up Bill needs to have received Royal Assent. Once legislation has been approved, the Local Authority must have the policy agreed, also a notice of the decision must be published in a local newspaper before 10<sup>th</sup> March 2023 (this being 21 days before the end of the financial year). This is to enable changes being implemented from 1<sup>st</sup> April 2024. Otherwise, if this deadline is missed, changes cannot be imposed until the following year, this being 1<sup>st</sup> April 2025.

## **7.0 IMPLEMENTATION**

- 7.1 Due to the complexity and significant resources required to implement these Schemes, detailed project plan's will be drafted. These will identify key milestones, tasks, dates and responsible Officers/Teams.

## **8.0 SUSTAINABILITY IMPLICATIONS**

- 8.1 Ensuring best use of the Borough's housing stock is a key consideration for these proposals, as is encouraging development that improves the quality of that stock.

## **9.0 FINANCIAL AND RESOURCE IMPLICATIONS**

- 9.1 Financial modelling has taken place on the additional income that could be generated from the proposals set out in this report. This has identified that the Second Homes changes could potentially generate around £174k of council tax income, of which around £21k would be received by the Borough Council (these figures are based on 2022/23 Band 'D' equivalent council tax charges). However, the actual amount of council tax income will depend on the number of properties in each category and this will vary over time. It is for this reason that it is difficult to fully estimate the impact the changes to Long Term Empties would have, however based on the average number each year of 50 properties, this category could generate around £102k of council tax income, of which around £12k would be received by the Borough Council (these figures are based on 2022/23 Band 'D' equivalent council tax charges).
- 9.2 The Council could also benefit from an increase in its New Homes Bonus grant as a result of these measures. This grant is paid based on the number of new homes built and empty properties brought back into use. These changes could create a financial incentive to encourage empty properties to be brought back into use more quickly and so there could be a further positive financial effect through this grant funding.
- 9.3 In considering these changes it should be noted that certain homeowners and landlords, including the Housing Revenue Account, could see a significant increase in the amount of council tax that they must pay. In particular, there would be significant increases in council tax liability for owners of second homes and long-term empty homes.
- 9.4 Additional administrative resources will be required to administer these Schemes – this will be undertaken by existing staff within the Revenues and Benefits service.
- 9.5 Specialist external consultancy support to assist in the Scheme and Policy design may be required – yet to be determined.
- 9.6 Additional system functionality to support such changes may be required – yet to be determined. Software suppliers will not act on proposed legislation changes and therefore will not assess whether the existing functionality will support these changes until the legislation is agreed.

## **10.0 Risk Assessment**

10.1 The legislative changes will provide the Council with the ability to determine the discounts it provides on long term empty homes and second homes. The Council could choose not to use this discretionary power and to keep the existing discounts in place. However, this would miss out on an opportunity to address empty homes issues within the Borough and to generate additional income.

## **11.0 Health and Wellbeing Implications**

11.1 There are no health and wellbeing implications arising from this report.

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## **Background Documents**

There are no background documents (as defined in Section 100D (5) of the Local Government Act 1972) to this Report.

## **Equality Impact Assessment**

There is a direct impact on members of the public, employees, elected members and / or stakeholders, therefore an Equality Impact Assessment is required. A formal equality impact assessment is attached as an Appendix to this report, the results of which have been considered in the Recommendations contained within this report

## **Appendices**

Appendix A – Current Council Tax Exemptions/Empty Property Discounts

Appendix B – Proposed Changes to Council Tax charged on Second Homes and Empty Homes

Appendix C – Equality Impact Assessment