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| <b>Cabinet/Council</b><br><br>31/01/2024                                 | <br><b>TOWER HAMLETS</b> |
| <b>Report of:</b> Julie Lorraine – Corporate Director of Resources       | <b>Classification:</b><br>Unrestricted  |
| Council Tax Discounts and Premiums for Empty Properties and Second Homes |   |

### **Executive Summary**

This report seeks to gain agreement for the Council to amend the current Council Tax discounts and exemptions applied to empty properties from 1<sup>st</sup> April 2024. The reason for this decision is to encourage owners to bring properties back into use and increase the availability of homes in the borough.

The proposal also seeks to provide notice that the Council will introduce, from 1<sup>st</sup> April 2025, additional Council Tax premium on second homes in the borough.

### **Recommendations:**

The Mayor in Cabinet is recommended to;

1. Reduce the current 100% discount awarded to unoccupied and unfurnished and uninhabitable dwellings is reduced to zero (0%) for the financial year 2024/25 onwards.
2. From 1<sup>st</sup> April 2024, amend the application of the levy of 100% premium for long-term empty properties to 1 year reducing this from the current 2 years.
3. From 1<sup>st</sup> April 2024 levy an additional premium on long-term empty property vacant for over 5 years at the maximum permitted level of 200%. The resulting charge will be 300% of the standard council tax.
4. From 1<sup>st</sup> April 2024 levy an additional premium on long-term empty property vacant for over 10 years at the maximum permitted level of 300%. The resulting charge will be 400% of the standard council tax.
5. Council be given the discretion, delegated to the Head of Revenues and Benefits to reduce or waive the long-term empty premium charge in exceptional circumstances.
6. Give 12 months' notice that the Council will introduce a second home premium of 100% from 1<sup>st</sup> April 2025.

## **1 REASONS FOR THE DECISIONS**

- 1.1 The removal of the empty property discount will enable the Council to ensure that property owners are incentivised to return properties to occupation as soon as possible. With the ongoing shortage of housing across the borough it is important that the availability of housing is maximised. At the same time this will reduce the administrative burden of awarding relatively small discounts.
- 1.2 Increasing the premiums on long term empty properties will again seek to incentivise owners to return these properties to the market. Although this will not impact many properties it does reinforce the Council's messaging about tackling empty homes.
- 1.3 Introducing the second home premium is also aimed at encouraging owners to potentially return properties to long term and permanent use increasing the availability of homes.

## **2 ALTERNATIVE OPTIONS**

- 2.1 The alternative considered was to keep the empty home premium at its current level and not to introduce the second home premium but given the priority to increase the availability of affordable housing in the borough this would not help to utilise this measure to encourage owners to bring properties back into occupation.
- 2.2 In relation to the removal of the empty and unfurnished discount against the alternative considered was to retain the 1-month discount, but this is administratively burdensome and would result in a continued loss of income to the council.

## **3 DETAILS OF THE REPORT**

- 3.1 For council tax purposes, empty is defined as unoccupied and substantially unfurnished. Currently long-term empty properties, those empty over 1 month do not receive any discount and a full council tax is charged. The level of discount for unfurnished properties up to 1 month remains the maximum permitted amount (100%). Each billing authority has the discretion to give a discount of any amount from 0% to 100% in respect of empty properties.
- 3.2 As at the 2<sup>nd</sup> October 2023 – the most recent Council Tax base (CTB) return the Council identified 232 properties receiving the 100% discount on that day. A further 1,751 were still empty after 6 months. These would all receive the 100% discount for a month. All of these properties would be impacted by the removal of the discount. In general, empty discounts are granted for short periods and are of relatively low value given the fast turnaround of rental properties in the borough. During 2022/23 a total of 3,696 discounts were given with an average value of £56.93. With a total of £187,604 awarded over the financial year, including the GLA's share.

- 3.3 The Council currently applies a long-term empty property premium of 100% of the charge to all properties empty and unfurnished over 2 years. The Levelling-up and Regeneration Act 2023 allows Councils to charge this premium after a property is empty for 1 year. As at the beginning of October 2023 the Council has identified 719 properties that would fall into this category.
- 3.4 In 2019 the Government permitted Council's to increase the premiums charged for properties empty for more than 5 and 10 years to 200% and 300% respectively. This option has not yet been exercised by the Council an additional 50% of the council tax charged.
- 3.5 At the beginning of October 2023, the Council's annual CTB return identified 184 properties that have been empty for over 2 years. Of these 27 have been empty over 5 years and a further 8 over 10 years. Initially it will be these properties that will be impacted by the increase in premium.
- 3.6 The Levelling-up and Regeneration Act 2023 gives Council's the powers to levy a premium of 100% on second homes. Second homes being those that do not have permanent occupant(s) and are 'substantially furnished'. The Council currently records 2,318 properties as second homes. During the next year the service will review all cases to ensure its records are accurate before applying the levy. This will also allow owners to make an informed decision before the levy is charged. This could result in a change in use of the property and increase the availability of housing in the borough.

#### **4 EQUALITIES IMPLICATIONS**

- 4.1 The data available to understand the equality impacts of these proposals is limited. Those properties that may have benefited from the empty property discount or will be impacted by the empty or second home premiums will not be by definition the sole or main residence of the owner or may be owned by an organisation such as the Council, RSL or private business and as such it is unlikely would be impacted unfairly as they have more than one property.
- 4.2 When looking at historical awards the properties are geographically spread across the borough and with the data held (Name and forwarding address) it is not possible to demonstrate that the proposal is impacting any group more proportionally than any other. It is less likely that individual owners of properties empty over 1 years will fall within the lower income groups.
- 4.3 To allow private landlords to move a property into occupation and avoid having to pay the proposed premium the Council offers opportunities to private landlords to let the property to the tenants through the Council. This offers potential landlords the opportunity to positively impact upon homeless people and families within the borough.
- 4.4 By giving 12 months' notice to those who own a second home within the borough of the Council's intention to levy a premium those owners will have the opportunity to change the way in which the property is used. Again, this

may lead to additional properties to be made available to rent or sold to buyers who intend to use the property as their main residence.

## **5 COMMENTS OF THE CHIEF FINANCE OFFICER**

5.1 The additional income the Council is estimated to received from the changes outlined in the report is shown in the table below:

|                                     | <b>24/25<br/>£000</b> | <b>25/26<br/>£000</b> |
|-------------------------------------|-----------------------|-----------------------|
| Empty Property Premium              | 546                   | 546                   |
| Empty Property Exemption            | 135                   | 135                   |
| Second Home Premium                 | -                     | 2,000                 |
| <b>Total Additional CTAX Income</b> | <b>681</b>            | <b>2,681</b>          |

## **6 COMMENTS OF LEGAL SERVICES**

6.1 [Legal implications to be inserted when Financial Implications have been completed].

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- None

#### **Appendices**

- None

#### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- None

#### **Officer contact details for documents:**

N/A