

# North Tyneside Council

## Report to Council

### Date: 18 January 2024

**Title: Second Home Council Tax Premium – April 2025**

<b>Portfolio(s):</b> Finance and Resources	<b>Cabinet Member(s):</b> Councillor Anthony McMullen
<b>Report from Service</b>	
<b>Area:</b>	Resources
<b>Responsible Officer:</b>	Jon Ritchie, Director of Resources
<b>Wards affected:</b>	All Wards

#### **PART 1**

##### **1.1 Executive Summary:**

On 26 October 2023 the Levelling-up and Regeneration Bill received Royal Assent and thereby became the Levelling-up and Regeneration Act 2023. That Act makes important changes to existing legislation, including to the Local Government Finance Act 1992 (“the 1992 Act”), in relation to Council Tax, namely:

- 1) The period of time whereby a vacant dwelling can be classed as a “long-term empty dwelling” has been reduced from 2 years to 1 year, with effect from the financial years beginning on or after 1 April 2024 and thus attract a Council Tax Premium.
- 2) A Council Tax Premium can be charged against dwellings that are occupied periodically. Such dwellings are often referred to as “second homes”. The earliest time that a Council Tax Premium could be applied by the Authority in relation to “second homes” is 1 April 2025. This is because the Authority’s first determination on using this power must be made at least one year

before the beginning of the financial year to which it relates. The Second Home Premium that can be applied is up to 100% of the Council Tax liability payable on the dwelling.

On 23 November 2023 full Council agreed that with effect from 1 April 2024, the current Long-Term Empty Dwelling Council Tax Premium charged by the Authority be applied to dwellings that have been empty for 1 year rather than 2 years. It was also agreed at that meeting that full Council would receive a further report on the potential application of the power to charge a Council Tax Premium on dwellings that are occupied periodically (“second homes”). This is that further report for consideration by full Council.

Any change to Council Tax Premiums that would apply to second homes requires the agreement of full Council before any such payments can be included in the budget planning process for 2025/26 onwards. If the recommendations in this report are approved by full Council, the receipt of Council Tax Premium payments for second homes will be included in the Council Tax Base report presented to Cabinet in January 2025.

Central Government carried out consultation over the summer of 2023 and guidance is due to be published shortly which will outline the circumstances in which a dwelling, or class of dwelling, may be exempt from the Second Home Premium. As the guidance has not yet been produced, no adjustment has been made to the figures quoted in this report for dwellings that may subsequently become exempt from Second Home Premium Premiums in line with the guidance produced by central government.

## **1.2 Recommendation(s):**

It is recommended that Council:

- (1) agree that with effect from 1 April 2025, the Authority implements a Second Home Premium of 100% of the Council Tax payable, in relation to dwellings that are classed as being occupied periodically; and
- (2) agree that the Director of Resources be given authority to determine if any dwelling or class of dwelling should be exempt from the Second Home Premium as considered appropriate.

### **1.3 Forward Plan:**

- 1.3.1 The required twenty-eight days' notice of this report has been met. This item first appeared on the Forward Plan that was published on 08 December 2023.

### **1.4 Council Plan and Policy Framework**

- 1.4.1 This report indirectly links to all priorities identified in the 2021–2025 Our North Tyneside Plan as the Second Home Premium increases the Council Tax Base which forms part of Budget planning.

### **1.5 Information:**

- 1.5.1 Section 80 of the Levelling-up and Regeneration Act 2023 added section 11C to the 1992 Act which created a new Council Tax Premium that may be applied to dwellings described as being “dwellings occupied periodically”. These dwellings are often referred to as “second homes”. Such a premium is referred to in this report as the “Second Home Premium”.
- 1.5.2 The Second Home Premium that can be applied is up to 100% of the Council Tax liability of any particular periodically occupied dwelling.
- 1.5.3 There is no official definition of a “second home”, but generally it is accepted as being an additional habitable dwelling that is not occupied by anyone as their main residence. It may be occupied occasionally, for example as a holiday home.
- 1.5.4 If the Authority were to implement a Second Home Premium of 100%, it would provide a positive financial position as it would generate an increased revenue income by increasing the amount of Council Tax paid by second home owners. This increased income would be taken into account when calculating the Council Tax Base which is a key factor in the budget setting process.
- 1.5.5 Most recent data suggests that there are currently 269 properties in North Tyneside classed as “second homes”. However, it is possible that numbers will fall if a Second Home Premium is implemented. Experience shows that owners are likely to change their behaviour when faced with increased Council Tax payments. This was found to be the case when the Long-Term Empty Home Premiums were introduced by the Authority in April 2020. It is therefore envisaged that some owners will either sell or offer their second homes as

residential rental dwellings, thus reducing the overall number of properties classed as “second homes” in the borough. Table 1 below shows the properties that are currently considered to be “second homes” across the borough.

Table 1 - Number of properties considered as “second homes”

Band	Number of Second Homes	Proportion of a band D
A	116	6/9
B	56	7/9
C	56	8/9
D	31	9/9
E	6	11/9
F	4	13/9
Total	269	215

- 1.5.6 Owners of second homes may also decide to transfer their dwellings to Business Rates if they become holiday lets. If the Valuation Office Agency (VOA) considers the dwelling meets the criteria applied to holiday let, it would remove the dwelling from the Council Tax List and would in turn mean that the Council Tax Base would be impacted. This risk is likely to be minimal, as legislation to allow a dwelling to be classed as a holiday let and be subject to Business Rates rather Council Tax requires the owners to provide evidence to the VOA that alongside having their dwelling available for let for at least 20 weeks in a year, it must also have been actually let for at least 70 nights in that year.
- 1.5.7 As can be seen from Table 1 above, the number of second homes across the borough are mostly in the lower Council Tax bands, and they equate to 215 band D equivalents. If full Council approves the implementation of the Second Home Premium at 100% and if no exemptions apply to any dwellings, the application of this Premium would generate £454,000 in increased Council Tax Revenue. After applying the Long-Term Collection Rate, which in 2023/24 is set at 98.5%, the Revenue generated would be £447,000. If a lower percentage than one hundred percent was applied a lower amount of Revenue income would be generated.
- 1.5.8 Additional income generated from this Premium would feed into the budget planning for 2025/26.
- 1.5.9 Where owners do move towards either renting their dwellings as residential rental properties or sell the dwellings, rather than face paying the Second

Home Premium, that will have the beneficial effect of making more dwellings available for people to live in, thus increasing the residential housing stock across the borough.

- 1.5.10 Consultation was carried out by Central Government which sought views on possible categories of dwellings which should be exempt from the Council Tax Premiums (both Long-Term and Second Dwelling Premiums). This was carried out over the Summer 2023. Guidance to local authorities following that consultation has not yet been published, but the questions asked as part of the consultation exercise may give an indication of the circumstances in which the Government may be asking local authorities to exempt dwellings from a Second Home Premium. The government consultation document on Council Tax Premiums is included as a background document to this report.
- 1.5.11 To understand the current position of the 269 properties that have been recorded as "second homes" in the borough, officers have contacted owners to establish the reasons why their dwellings are unoccupied. Once all responses have been gathered the Authority will have accurate data to apply to any exemptions to the Second Home Premium as considered appropriate, should full Council approve the introduction of a Second Home Premium.
- 1.5.12 So far, 45% of owners have responded, 80% of these have confirmed they are still used as a second home with around 20% suggesting a change which will need to be looked into further to confirm the situation. Most of the people spoken to as part of that contact are aware that local authorities need to raise money to deliver services and are accepting of the additional Council Tax to pay through the Premium and are grateful that the Authority has informed them at this time of the potential increase from 1 April 2025. But understandably, a few have felt that charging additional Council Tax for a dwelling that is either unused or used only periodically is unfair.

## 1.6 Decision options:

The following decision options are available for consideration by full Council:

### Option 1

To agree the recommendations in paragraph 1.2 of this report.

## Option 2

Not to agree the recommendations in paragraph 1.2 of this report.

Option 1 is the recommended option.

### **1.7 Reasons for recommended option:**

Option 1 is recommended for the following reason:

There is the potential to encourage owners of dwellings classed as “second homes” to change them to residential rental properties or to offer up for sale which will increase the residential housing stock in the borough.

By applying 100% Second Home Premium the maximum Revenue income will be generated which can be used as part of budget planning from 2025/26 onwards.

### **1.8 Appendices:**

There are no appendices.

### **1.9 Contact officers:**

Jon Ritchie, Director of Resources, tel. (0191) 643 5701

Tracy Hunter, Senior Client Manager, Revenues and Benefits, tel.  
(0191) 643 7228

John Lloyd, Client Manager Revenues and Benefits, tel.  
(0191) 643 7151

### **1.10 Background information:**

The following background papers/information has been used in the compilation of this report and are available at the office of the author:

- (1) [Local Government Finance Act 1992](#)
- (2) [The Rating \(Property in Common Occupation\) and Council Tax \(Empty Dwellings\) Act 2018](#)
- (3) [The Levelling-up and Regeneration Act 2023](#)

- (4) [Consultation on proposals to exempt categories of dwellings from the council tax premiums in England](#)

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

If a decision is made to implement a new Second Home Premium, then an initial projected increase in Council Tax income of circa £447,000 based on recent data will occur.

If this initiative is successful in bringing “second homes” back into residential use, then the amount received from the Council Tax Second Home Premium will reduce accordingly.

Subject to approval of full Council, the new arrangements will be incorporated into the Council Tax Base to be considered by Cabinet in January 2025.

### **2.2 Legal**

The amendments made to the Local Government Finance Act 1992 (“the 1992 Act”) by the Levelling-up and Regeneration Act 2023 are referred to in the body of the report. Section 80 of the Levelling-up and Regeneration Act 2023 added a new section 11C into the 1992 Act which applies to “dwellings occupied periodically”. Section 80 came into force on 26 October 2023.

The new section 11C of the 1992 Act permits the Authority to increase the Council Tax payable in relation to dwellings occupied periodically by up to 100%. provided that there is no resident of the dwelling, and the dwelling is “substantially furnished”.

Section 11C of the 1992 Act makes it clear that the Authority’s first determination under this section must be made at least one year before the beginning of the financial year to which it relates. That is why any Second Home Premiums will only become payable from April 2025.

If full Council decides to apply a higher level of Council Tax charge in relation to second-homes, the Authority must publish a notice of that determination in at least one newspaper circulating in the borough and do so within 21 days of the determination.

Section 80 of the Levelling-up and Regeneration Act 2023 also amends section 67 of the 1992 Act and makes it clear that any decision taken under section 11C of the 1992 is a matter for full Council.

## **2.3 Consultation/community engagement**

### **2.3.1 Internal Consultation**

Consultation has taken place with the Senior Leadership Team and Lead Members.

### **2.3.2 External Consultation/Engagement**

The Department for Levelling-up Housing and Communities have carried out a consultation, the outcomes of which have not yet been published.

Initial contact with those potentially impacted has started, so as to understand the current position in relation to their second home and to ensure that the Authority has accurate records in relation to such dwellings. Some feedback has been provided by owners and a summary of this is provided point 1.5.12.

The Authority will carry out further appropriate engagement with those Council Tax payers that are affected as required by any subsequent Government guidance.

## **2.4 Human rights**

There are no human rights implications directly arising from this report.

## **2.5 Equalities and diversity**

An Equality Impact Assessment has been carried out. It concluded that should Council decide to implement a Second Home Premium effective from 1 April 2025, there would be a negative financial impact on the owners of those properties which the Premium applied to. There is no evidence to demonstrate a disproportionate impact in relation to those who have a protected characteristic.



Actions are being taken to either reduce or remove any potential negative impacts with regards to age, disability, and ethnicity.

**2.6 Risk management**

There is a risk that the implementation of a Second Home Premium may encourage Council Tax “avoidance” through people seeking to transfer their properties to Business Rates as holiday lets. This risk should be minimal, as legislation already in place gives a requirement for people to evidence to the Valuation Office Agency (VOA) that alongside having their dwelling available for let for at least 20 weeks in a year, it must also have been actually let for at least 70 nights.

It is the VOA that makes the decision if a property (hereditament) is entered and remains in the Council Tax list or the Business Rates list.

**2.7 Crime and disorder**

There are no crime and disorder implications directly arising from this report.

**2.8 Environment and sustainability**

There are no environment and sustainability implications directly arising from this report.

**PART 3 - SIGN OFF**

- Chief Executive  x
  
- Director(s) of Service  x
  
- Mayor/Cabinet Member(s)  x
  
- Chief Finance Officer  x
  
- Monitoring Officer  x

- Assistant Chief Executive

x