



Report

Date: 26 February 2024

To the Chair and Members of the Council

Council Tax premium on periodically occupied properties (Unoccupied but substantially furnished).

EXECUTIVE SUMMARY

1. The Levelling-up and Regeneration Act 2023 received Royal ascent on 26 October 2023. Under Section 80 of this Act, the Government introduced changes to Council Tax legislation, allowing Billing Authorities to apply a premium of up to 100% (up to a 200% Council Tax charge in total) to properties where:
 - a) there is no resident of the dwelling, and
 - b) the dwelling is substantially furnished.
2. As well as including unoccupied properties that are substantially furnished, this would also include properties which are often referred to as second homes, where a property is furnished, but is not a person's main residence and is only occupied periodically.
3. The Act allows for a premium to be applied to properties meeting the above conditions, from 1 April 2024. The Act does not require the property to have been unoccupied but substantially furnished for any minimum period and allows Billing Authorities to determine whether to allow a minimum period a property can be unoccupied but substantially furnished before becoming subject to a premium (for example 12-months), or to apply a premium from day one from which a property meets the above conditions.
4. The Act requires that any determination to introduce a premium on properties meeting the above conditions, must be made at least 12 months before the financial year in which it comes into effect. The Council must therefore make any determination to implement the premium before 31 March 2024, to be able to apply it from 1 April 2025.
5. Once determination is made, the decision must be published in at least one local newspaper within 21 days.



6. In Doncaster, there are currently 630 properties meeting the above conditions, 471 of which have been empty for a period of at least 12 months.

EXEMPT REPORT

7. This report is not exempt.

RECOMMENDATIONS

8. Council is asked to approve the decision to charge a Council Tax 100% premium on properties which are unoccupied but substantially furnished for a period of at least 12-months. Based on the number of properties currently in this class of dwelling, 471 properties would become subject to the premium. This would potentially raise up to an additional £754,543 of Council Tax (based on current numbers, and estimated Council Tax charges by 2025). The decision would take effect from 1 April 2025.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

9. In December 2023, around 471 properties fell within this class of dwelling for at least 12 months, and if they were to remain in this state on 1 April 2025, would become subject to the premium. Citizens of Doncaster will generally benefit from the application of the proposed premium on unoccupied but substantially furnished properties, by encouraging owners to bring properties back into occupation.
10. Property owners who have additional properties which are kept vacant, or which are only occupied periodically, will have an increased amount of Council Tax to pay. However, the premium would support the Council's objective to tackle long term empty, or unoccupied properties. The proposals are designed to encourage owners to bring unoccupied properties back into occupation, in which case normal Council Tax charges will apply. It is therefore anticipated that the proposals will impact positively on the citizens of Doncaster as more homes are made available across the borough, and some of the issues associated with long-term empty and unoccupied properties, such as vandalism and nuisance are reduced.
11. Based on current numbers of unoccupied but substantially furnished properties, and using estimated Council Tax charges by 2025, the premium could potentially raise up to an additional £754,543 of Council Tax, to help fund vital services to local residents.

BACKGROUND

12. From 1 April 2013, changes were made to Council Tax legislation under the Local Government Finance Act 2012, which removed exemptions for unoccupied, unfurnished, and uninhabitable properties.
13. These changes also gave local Councils the discretion to charge up to 100% of the Council Tax charge for the above properties, and for unoccupied, but furnished properties, sometimes referred to as second homes. It also introduced legislation allowing Councils to impose a 50% premium on long term empty properties (which had been unoccupied and unfurnished for at least 2 years). At a meeting of the Full Council on 17 January 2013, the decision was made that no discount would be given on these properties, and a 50% premium would be applied to long term empty properties.
14. As a result, from 1 April 2013, properties in Doncaster, which are unoccupied but furnished, have been subject to a 100% Council Tax charge. The charge is effective from the first day a property is in this class of dwelling. Properties which have been empty for at least 2 years were subject to a 150% charge. In 2020, further legislation changes allowed for the premium on long term empty properties to be increased to 100%, with further premiums of 200% and 300% on properties empty for 5 years, and 10 years respectively. The Council made the determination to introduce these premiums on long term empty properties from 1 April 2021.
15. Unoccupied but furnished properties are excluded from the long-term Empty home's premium, meaning properties which are periodically occupied (such as second homes) or those which are kept unoccupied but substantially furnished, are not currently subject to a premium.
16. The Levelling-up and Regeneration Act 2023 received Royal ascent on 26 October 2023. Under Section 80 of this Act, the Government introduced changes to Council Tax legislation, allowing Billing Authorities to apply a premium of up to 100% (up to a 200% Council Tax charge) to properties where:
 - I. there is no resident of the dwelling, and
 - II. the dwelling is substantially furnished.
17. The Act allows for a premium to be applied to properties meeting the above conditions, from 1 April 2024. The Act does not require the property to have been unoccupied but substantially furnished for any minimum period and allows Billing Authorities to determine whether to allow a minimum period a property can be unoccupied but substantially furnished before becoming subject to a premium (for example 12-months), or to apply a premium from day one from which a property meets the above conditions.
18. The Act requires that any determination to introduce a premium on properties meeting the above conditions, must be made at least 12 months before the financial year in which it comes into effect. The Council must therefore make any

determination to implement the premium before 31 March 2024, to be able to apply it from 1 April 2025. Once determination is made, the decision must be published in at least one local newspaper within 21 days.

19. In Doncaster, there are currently 630 properties meeting the above conditions, 471 of which have been for a period of at least 12 months.
20. There is an additional class of dwelling, which despite meeting the conditions for the premium, are already excluded from the Billing Authority decision to charge 100% and would also not be subject the proposed premium. These dwellings will instead continue to receive a 50% discount from their Council Tax bill. These consist of dwellings identified as:
 - a) unoccupied caravans on pitches
 - b) unoccupied boats on moorings, and
 - c) work related accommodation.
21. There are currently 51 such properties in Doncaster and will remain unaffected by any decision to impose a premium on unoccupied and substantially furnished properties.
22. If implemented, the Council may still make future changes to its decision or decide to remove the premium in the future. However, to do so, the Council must make such a decision and give at least 12 months' notice in advance of the financial year in which the new change will come into effect. This means any change or amendment after the initial proposed implementation of the premium on 1 April 2025, could not come into effect until 1 April 2027.
23. The empty homes premium does not apply to empty properties that are exempt from Council Tax charges. Under prescribed legislation, no Council Tax is payable for empty properties that meet the following criteria:
 - Left unoccupied by someone who has gone to live in a residential care home;
 - Unoccupied because someone has moved to receive or provide personal care;
 - Left empty because the taxpayer has died and grant of probate letters or letters of administration have not been granted. Once probate/letters of administration are granted, the exemption continues for a further 6 months unless the property is reoccupied, let, sold or transferred.

The above list is not exhaustive. Additional exceptions to applying the premium may be applied at the Council's discretion based on individual taxpayer's circumstances. This discretion will take into account any relevant Government guidance and will be set out in a Council Tax Unoccupied but substantially furnished properties premium scheme document.

24. Before the implementation of the premium all households would be given at least 12 months' notice of this change coming into effect on 1 April 2025. The Levelling-up and Regeneration Act 2023 requires Billing Authorities to make a

determination at least 12 months before the financial year to which it will be effective, and that such a decision is reported in at least one local newspaper within 21 days of that determination. Details of the premium and changes would also be added to the Council Tax area of the Council's website.

25. Should additional notice be considered necessary, the Council could also write directly to owners of properties in the class of dwelling prior to 1 April 2025, advising them of the change coming into effect.
26. Details of the premium would also be included on any affected Council Tax bill as part of their charge breakdown. Details may also be included in the annual billing leaflet and/or billing information insert issued with every bill.
27. Should a Taxpayer dispute the premium being applied to their property (for example that it is a person's main residence), they would have a right of appeal under section 16 of the Local Government Finance Act 1992. Any appeal must be made in writing (or e-form) to the Council. Subject to any appeal we will make further investigations where necessary. Under legislation the Council is required to deal with any appeal within 2 months of it being received.
28. Section 13A of the Local Government Finance Act 1992 also gives local authorities discretionary powers to reduce or remit Council Tax charges where the taxpayer can demonstrate financial hardship and remitting/reducing the charge is in the interests of local Council Taxpayers. Section 13A relief will be considered in individual exceptional cases where the taxpayer is unable to allow the property to be occupied through no fault of their own and/or due to circumstances beyond their control and paying the increase in the premium would cause them financial hardship.
29. Actual additional revenue is likely to be lower than the above estimates as property owners are more likely to bring the properties back into use to avoid paying higher Council Tax. For example, when the long-term empty property premium was first introduced in April 2013, 861 properties had been empty for more than 2 years and were subject to the premium. In 2014, the number had reduced to 713 and this has continued to reduce to a current number of 600. The collection rate for properties subject to the 100% premium is estimated at around 67% compared to the overall in-year collection rate target of 94.5%.

OPTIONS CONSIDERED

Three options have been considered:

1. Option 1: Do nothing

The Government does not require that Councils apply the premium. It is for each Billing Authority to determine whether to implement the premium as set allowed in the legislation. The Council can decide not to apply the premium and allow this type of dwelling to remain subject to the existing 100% charge.

2. Option 2: Implement the maximum permitted premium of 100% from day one - effective from 1 April 2025.

Implement a 100% premium on unoccupied, but substantially furnished properties from 1 April 2025. There are currently 630 properties recorded on the Council Tax records as unoccupied but substantially furnished properties. Applying a premium from day one, would mean that all of these properties could become subject to up to a 100% premium (up to a 200% charge) from 1 April 2025. All properties will be subject to the premium from date of implementation, regardless of time spent unoccupied but substantially furnished.

3. Option 3: Implement the maximum permitted premium of 100%, with the allowance of a 12-month grace (1 year)

Implement a 100% premium on unoccupied, but substantially furnished properties from 1 April 2025, with the additional requirement that the property must have been unoccupied but substantially furnished for a period of at least 12-months. The Government allows for each Billing Authority to determine the period a property is required to be meet the criteria before a premium takes effect. We recommend 12-months. This would mean that, if a property becomes unoccupied, but substantially furnished on 2 April 2025, it will not be subject to the premium until 2 April 2026. Alternatively, becoming unoccupied, but substantially furnished on 30 June 2024, would become subject to the premium on 30 June 2025. This proposal is aligned with the proposed change to the minimum period a property is required to be unoccupied and substantially unfurnished (long term empty properties) which if agreed can take affect from 1 April 2024. Legislation currently requires a property to have been unoccupied and unfurnished for at least 2 years before a long-term empty premium is applicable. However, The Levelling-up and Regeneration Act 2023 has allowed Billing Authorities to reduce this to 12 months. This has been forwarded under a separate decision report. This will also stagger the impact of the scheme being imposed and will continue to allow for short term vacancy of furnished properties, such as furnished lets or house moves.




REASONS FOR RECOMMENDED OPTION

30. Option 3 is the recommended option. To apply a premium of 100% once a property has been unoccupied but substantially furnished for at least 12-months. This would mean the application of a premium on unoccupied but substantially furnished properties would mirror the 100% premium applied to long term empty properties (unoccupied and substantially unfurnished) which applies from 12 months to 5 years. Doing so would ensure natural periods of short-term vacancy would not be subject to premiums, such as during tenancy changes, or house sales. In all cases of a property falling vacant, this would allow 12 months for an owner to take action to bring the property back into occupation before any premium would come into effect.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

31.

Great 8 Priority	Positive Overall	Mix of Positive & Negative	Trade-offs to consider – Negative overall	Neutral or No implications
 Tackling Climate Change				✓
None				
 Developing the skills to thrive in life and in work				✓
None				
 Making Doncaster the best place to do business and create good jobs				✓
None				
 Building opportunities for healthier, happier and longer lives for all	✓			
<p>The premium would encourage owners to ensure properties remain occupied, contributing to healthier communities, with fewer empty or neglected properties.</p>				
 Creating safer, stronger, greener and cleaner communities where everyone belongs	✓			
<p>The premium would encourage owners to ensure properties remain occupied, contributing to healthier communities, with fewer empty or neglected properties, and helping to reduce anti-social behaviour.</p>				

 Nurturing a child and family-friendly borough	✓			
<p>The premium would encourage owners to ensure properties remain occupied, contributing to healthier and thriving communities, with fewer empty or neglected properties, helping to reduce anti-social behaviour, making a safer environment for families.</p>				
 Building Transport and digital connections fit for the future				✓
None				
 Promoting the borough and its cultural, sporting, and heritage opportunities				✓
None				
Fair & Inclusive	✓			
<p>This premium applies across all wards of the city.</p> <p>This is a technical report and therefore due regard does not apply to this decision.</p>				

- **Legal Implications [Officer Initials: NC | Date: 12/2/24]**

40. Section 80 of the Levelling Up and Regeneration Act 2023, created a new section 11C of the Local Government Finance Act 1992, with effect from the 26th October 2023. This gives local authorities the discretion to increase the Council Tax payable on a property where there is no resident, and which is substantially furnished (often referred to as a ‘second home’). This enables local authorities to charge up to 100% extra of the standard Council Tax bill that would be payable if the property were occupied, and no discounts were applicable. Any determination to apply the charge has to be made at least one year before the beginning of the financial year in which the charge will be applied, and local authorities are required to have regard to any guidance issued by the Secretary of State when applying the charge. The decision recommended by this report is consistent with that legislation.

- **Financial Implications [Officer Initials: CC | Date: 13/02/2024]**

41. The Financial Implications are contained within the body of the report. Using relevant Council Tax data, a snapshot of affected properties has been taken, which estimates that an additional £755k of Council Tax debt would be raised if this revised

policy is implemented. As this is a new policy, with a 12-month lead in time (i.e. would come into effect at the earliest in 2025/26), a prudent assumption of estimated additional Council Tax income to the Council of £540k pa from 2025/26 has been included in Council Tax income assumptions (subject to Council approval) i.e. the assumptions are already contained within the Medium Term Financial Strategy. When the Council Tax Base is calculated for the 2025/26 financial year (and subsequent years), this additional premium will be built into the Council Tax Base Growth assumptions.

- **Human Resources Implications [Officer Initials: SH | Date: 09/02/24]**

42. There are no immediate HR implications associated with this report.

- **Technology Implications [Officer Initials: NR Date: 12/02/24]**

43. There are no direct technology implications in relation to this report.

RISKS AND ASSUMPTIONS

44. There is a risk of failure to identify to impose the premium will mean that the Council fails to benefit from additional income required to fund vital services to local residents.

45. Current legislation imposing a premium on Long-term empty properties (unoccupied and substantially unfurnished), allows property owners to keep properties vacant, but avoid a premium by simply furnishing a property. The additional premium on unoccupied but substantially furnished properties, will prevent this mechanism of premium avoidance.

46. There is a risk that imposing a property on periodically occupied properties (unoccupied but substantially furnished) will impact short term holiday lets (such as those let through short-term letting services), as property owners may become subject to the premium. However, it is noted this impact may be minimised by recent Valuation Office Agency guidance requiring properties which are available for short term let for 140 days or more and let for 70 days or more are to be subject to Business Rates rather than Council Tax, and under which they may be able to claim Small Business Rates relief.

47. With these proposals there is a risk of non-collection of the increased premium charges. This risk will be managed by continued robust collection processes where appropriate and working with property owners who want to bring their properties back into use and so avoid the premium.

CONSULTATION

48. There are no requirements for local authorities to undertake consultation before implementing the Council Tax premium on unoccupied but substantially furnished properties. Discussions on the proposals have taken place with the Mayor and Executive Board.

BACKGROUND PAPERS

49. None

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

50. None

REPORT AUTHOR & CONTRIBUTORS

Alan Stoves, Head of Revenues and Benefits
01302 735585 Alan.stoves@doncaster.gov.uk

David Sprakes, Revenues Manager
01302 734346, David.sprakes@doncaster.gov.uk

**Debbie Hogg,
Director of Corporate Resources**