



EXECUTIVE MEMBER DECISION

REPORT OF:	Executive Member for Finance and Governance
LEAD OFFICERS:	Strategic Director of Finance and Resources
DATE:	28 February 2024

PORTFOLIO/S AFFECTED:	Departments
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WARD/S AFFECTED:	(All Wards);
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SUBJECT: Introduction of a Second Homes Premium
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1. EXECUTIVE SUMMARY

The Government through the Levelling Up and Regeneration Act 2023 announced the introduction of a new discretionary power to enable Councils to implement a Council Tax premium of 100% on second homes. Adopting this policy would therefore increase the bill from the current rate of a 100% to 200%.

The Government's review of the circumstances where a second homes discount would not apply has unfortunately not been finalised. As a consequence, it is not possible to accurately highlight the number of properties that would be liable or exempt from the premium. All circumstances initially outlined by the Government as being potentially exempt are included in the report.

This report proposes and recommends that the change in policy is agreed, with the next 12 months used to consider the potential impact on individuals, the housing supply and the financial yield.

2. RECOMMENDATIONS

That the Executive Member:

Approves the introduction of the Second Homes Premium in the 2025 / 2026 financial year and uses the next 12 months to review the Governments exception categories and finalise the total additional income that would be generated by the change.

3. BACKGROUND

The Levelling Up and Regeneration Act 2023 recognises the impact that high levels of second home ownership can have in some areas. Whilst the areas impacted most greatly by second homes tends to be holiday and city destinations, Blackburn with Darwen does still have 226 properties designated as such at the writing of this report.

Due to the Council's full use of the discretionary premium charge for long term empty properties, it has become evident that some Council Tax payers have chosen to avoid the charge by placing furniture in an empty property. This then cancels the long-term empty premium as the property is then classed as a second home which currently has a 100% charge.

When adopting a second homes policy Councils must ensure that the decision has been made at least one year before the beginning of a financial year to which it relates. Therefore, should the Council agree to approve the new premium, it will come into effect from April 2025.

The main driver for the introduction of a second home premium is that it will encourage owners to bring the property back into use or at least accelerate the process to do so to avoid the additional cost. The secondary reason is also the increased Council Tax that would be generated by this policy change.

4. KEY ISSUES & RISKS

4.1 Number of Second Homes in the borough

At the writing of this report there are 226 properties currently registered as being unoccupied and furnished and therefore classed as second homes. The breakdown by council tax band is shown below:

Band	A	B	C	D	E	F	G	H
Number of 2nd Homes	126	32	29	15	12	6	5	1

Applying a premium of 100% to all of the above properties would generate an additional £387,988.89 in Council Tax raised. NB, this is extremely unlikely to be the amount raised after the exception reasons have been applied. In addition, some accounts will remain unpaid.

4.2 Rationale for the policy

With the ongoing shortage of housing across the borough it is important that the availability of housing is maximised. As such, the primary driver for the introduction of the second home premium is to continue the Council policy that seeks to ensure that property owners are incentivised to return properties to occupation as soon as possible. In addition, it does also close an existing loop hole that allows owners to avoid long term empty property premiums by furnishing a property.

4.3 Potential Exemptions to the premium

Following the Levelling Up and Regeneration Act 2023 the Government has consulted on a number of scenarios that could potentially be exempt from the imposition of a second home premium. Although the consultation exercise was undertaken in July 2023, no results or guidance has yet been issued by the Government. The scenarios outlined are detailed below.

Properties left empty by a deceased person

If a property has been unoccupied since the passing of the previous owner and is substantially furnished, it could become liable for the Council Tax second homes premium immediately after the Class F exemption period has ended. In these instances the government has stated that it does not consider it appropriate that such properties should become subject to the premium.

The Government suggests that if the property is then put on the market for sale or let, the owner of the property would be able to apply for a 'sales or let' exception. This would provide the owner an additional 6 months exemption period.

Properties marketed for sale or let

The government also wishes to ensure that owners of second homes should be able to benefit from an exception to the second homes premium where the property is being actively marketed for sale or rent.

In order to qualify for an exception to the premium, the owner would be expected to demonstrate they are actively marketing the property for sale or let at a reasonable price on the open market (i.e., an

offer to purchase at that price would be accepted by the owner or an offer to pay rent at that level would be accepted). Some examples of evidence to support the exception could include:

- evidence that the property is being actively marketed by an agent
- evidence that the property is being actively marketed by a sale or letting website
- evidence that the property has recently been sold subject to contract or rented out subject to tenancy agreement but is still vacant because the sale or rental agreement is taking time to complete because it is part of a chain.

Job related dwelling

Where a property is occupied and currently receives a job-related discount, the government proposes that such dwellings should also be an exception to the second homes premium. The exception will not apply to cases where someone chooses to have an additional property to be closer to work while having a family home elsewhere or where an individual is posted to a new location but maintain their previous address.

To ensure that the Council's policy does adhere to any future Government instruction on exceptions, it is suggested that all exceptions listed above are adopted.

5. POLICY IMPLICATIONS

The provision for Local Authorities in the Levelling Up and Regeneration Act 2023 allows the discretion to implement a second home premium.

6. FINANCIAL IMPLICATIONS

Whilst additional Council Tax income will be generated by this change, the full financial implications will only become known once all exceptions to the policy have been identified. A final assessment will be made prior to the 2025/26 budget preparations.

7. LEGAL IMPLICATIONS

The Levelling Up and Regeneration Act 2023 (["the Act"](#)) provides the legislative basis for the introduction of the second home premium.

[The Act also requires that the Council makes this determination, it must publish a notice of the determination in at least one newspaper circulating in the area and that the notice must be published before the end of the period of 21 days starting on the date of the determination.](#)

8. RESOURCE IMPLICATIONS

None. Any additional work required from the policy above will be undertaken by existing resources.

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. (*insert EIA link here*)

Option 3 In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. *(insert EIA attachment)*

10. CONSULTATIONS

None.

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded and published if applicable.

VERSION:	1
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CONTACT OFFICER:	Andy Ormerod
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DATE:	5 th February 2024
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BACKGROUND PAPER:	
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