

Report to: Cabinet Meeting: 18 February 2025

Portfolio Holder: Councillor Paul Peacock - Strategy, Performance & Finance

Director Lead: Sanjiv Kohli, Deputy Chief Executive, Director - Resources, s151 Officer

Lead Officer: Nick Wilson, Business Manager - Financial Services, Ext. 5317

Report Summary	
Type of report	Open Report / Non-Key Decision
Report Title	Council Tax Second Home Premium and Short-term Empty Discount
Purpose of Report	<ul style="list-style-type: none"> • To update Cabinet with the current position relating to Second Homes in the district and enable Members to consider options to charge a premium on Second Homes. • To enable Cabinet to consider changing the discount available for short-term empty properties.
Recommendations	<p>That Cabinet:</p> <ol style="list-style-type: none"> a) note the position in relation to Second Homes and short-term empty properties; and b) recommend to Full Council for approval to levy a Second Homes premium with effect from 1 April 2026, in line with recent legislative changes and to amend the discount for short-term empty properties from 1 April 2025.
Alternative Options Considered	Alternative options are included within the report below.
Reason for Recommendations	To assist the Council with achieving its objectives of creating more and better-quality homes through our roles as landlord, developer and planning authority and reducing crime and anti-social behaviour within our communities.

1.0 Background

1.1 In the Local Government Act 2012 Local Authorities in England were given delegated powers, under Section 11A of the Local Government Finance Act 1992 (as amended), to replace Class C 6-month exemptions for properties becoming vacant and 10% discount on second homes with locally determined discounts or levies of up to 100%. This is known as the short-term empty property discount and second homes charge.

1.2 In a report to Cabinet on 6 December 2012, it was agreed to implement a local discount of 100% for vacant (empty and unfurnished) properties for a maximum period of up to four weeks and thereafter no discount.

- 1.3 In the same report, it was agreed to remove the 10% discount for second homes and levy the full 100% charge.

2.0 Proposal/Details of Options Considered

Second Home Charges

- 2.1 As of 1 December 2024 the Council is levying Second Home charges for 183 properties in respect of the 2024/25 charge period. The total charge levied is £400,287.
- 2.2 Of the £400k levied, 11.6% (approximately £46,400) is retained locally by the district and parish councils. 7.9%, approximately £31,600, is retained by the district council and forms part of our service budget income.
- 2.3 The Levelling-up & Regeneration Act 2023 introduced new powers for councils to charge premiums on second homes. Councils have the discretion to decide whether to introduce a premium in their local area or parts of the area on second homes. They also have the discretion to decide on the level of the premium, up to the maximum statutory threshold of 100%.
- 2.4 A council must make its first determination to charge a second homes premium at least 1 year before the financial year to which it will apply. This is to provide owners of these dwellings sufficient notice to make any appropriate changes. When using these powers, councils can determine the second homes to which they will apply a premium. This enables councils to tailor the determination to local circumstances.
- 2.5 The Government has made regulations to provide exceptions to these premiums. These exceptions to the premium are mandatory and councils may not disapply any exceptions. Exceptions include, properties actively being marketed for sale or to let (limited to 12-month exception), job related dwellings and seasonal homes where year-round, permanent occupation is prohibited.
- 2.6 The proposal is to apply a 100% second home premium (the maximum permitted level) with effect from 1 April 2026. This proposal would best support Council and Government policy in helping to reduce the number of empty homes by giving the highest incentive to owners to bring the properties back in to use, by either selling or renting the property.
- 2.7 In a report to Cabinet in December 2023, it was agreed to charge the maximum long-term empty home premiums available after properties have been empty for one year. Since this was agreed, several properties have been furnished by the owners and claimed as second homes to avoid the premium. This proposed move will counter that tax avoidance tactic.
- 2.8 This proposal would also maximise income to the Council Tax preceptors: Nottinghamshire County Council, Nottinghamshire Police and Crime Commissioner, the Nottinghamshire Fire Authority, Newark & Sherwood District Council and the numerous town and parish councils.

Short-term Empty Property Charges

- 2.9 At 7 October 2024 the Council is granting a 100% discount to 126 empty properties for a period of up to 28 days. The purpose of this discount is to allow Council Tax payment 'grace' to owners where they are moving from one property to another or to enable landlords to complete repair or improvement work between tenancies.
- 2.10 The period of discount granted has proven unpopular, particularly with landlords, as tenants often move out prior to the end of their tenancy and the landlord then loses a period of discount and hence has less time to complete works before the full Council Tax becomes due.
- 2.11 During 2023/24 the short-term empty property discount was granted to 3,369 properties, totalling £311,032. This cost is shared across all preceptors, the cost to NSDC was £24,883.
- 2.12 There is an option to extend the period a discount is awarded for (up to a maximum of 6 months), but to reduce the discount available, thereby making the award a better option for landlords whose tenants vacate early.
- 2.13 The proposal for agreement of SLT and referral to Cabinet is to extend the period the discount is awarded to a maximum of 84 days (12 weeks), making it payable for 3 times as long, but to reduce the awarded discount to 25%. The discount will end on the date the property becomes reoccupied, or after 84 days, whichever falls sooner.
- 2.14 If this discount was awarded to the same properties as the calculation in 2023, the total discount awarded would have been £233,274, a £77,758 saving to the collection fund and additional income to preceptors. The reduction in NSDC's element from £24,883 to £18,662 would generate a saving of £6,221.
- 2.15 The proposed change would also appear more attractive to those landlords who have been losing out to tenants moving out early.
- 2.16 Information has been obtained from each of the 6 other District and Borough councils in Nottinghamshire regarding their policies. There is very little similarity across the districts, the most generous scheme gives one month at 100% discount followed by five months at 25% discount. The least generous gives one month at 50% discount. 2 other authorities currently give 25% discounts for a 6 month period, but any extension in the period of award would seem to go against the aims to get properties back in to use.

3.0 Implications

In writing this report and in putting forward recommendations officers have considered the following implications; Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding, Sustainability, and Crime and Disorder and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Financial Implications – FIN24-25/490

- 3.1 All financial figures provided in this report are based on 2023/24 or 2024/25 Council Tax and precepting charges.
- 3.2 Based on the current number of second homes and short-term empty properties in Newark and Sherwood District, there would be an increase in the Collection Fund of £478,000. £37,800 would come directly to the Councils budget, the remaining funding would be shared with Council Tax preceptors at proportionate levels.
- 3.3 Any subsequent increase in homes brought back into occupation following long periods of being empty could attract grant funding from central government under a New Homes Bonus scheme.

Legal Implications - LEG2425/8219

- 3.4 Charging the premium on second homes and changing the discount awarded to short-term empty homes is in line with the Local Government Finance Act 1992 (as amended).
- 3.5 In accordance with the regulations, the second home premium will be promoted through a public notice and will come into effect from 1st April 2026, allowing the 12-month lead in period. All owners of second home properties impacted by this decision will be written to, to ensure that they are aware of the change.
- 3.6 Cabinet is the appropriate body to consider the content of this report and to make recommendations on to Full Council.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None