Appendix A

Second Home Premium Background Paper

1. Summary

This report provides a comprehensive review of the implementation and impact of the Second Home Premium, which was formally approved by Council in March 2024 and subsequently implemented with effect from 1 April 2025.

The policy applies a 100% Council Tax premium to properties classified as second homes.

Since its introduction, a total of 175 properties have been subject to the premium at some stage. At the present time, 121 properties remain liable for the charge, while 72 properties have been continuously classified as second homes for the full duration of the policy. Over its first two years of operation, the premium has generated additional Council Tax income of £576,000.

The available data demonstrates that the policy has created a dynamic and responsive tax base, with clear evidence of behavioural change among property owners. The premium has also been implemented consistently across neighbouring authorities, including Broxtowe, Newark and Sherwood, Gedling, and Nottingham City, which supports a coordinated sub-regional approach.

2. Purpose of the Report

The purpose of this report is to present an evaluation of the Second Home Premium following its introduction, to assess the extent to which it is achieving its intended objectives, and to provide an informed analysis of its financial, operational, and behavioural impacts.

3. Background and Definition of a Second Home

The introduction of the Second Home Premium followed a formal resolution of the Council in March 2024, made possible through powers granted under the Levelling-up and Regeneration Act 2023. The authority resolved to apply the premium at the maximum permitted level of 100%, effectively doubling the standard Council Tax charge for qualifying properties.

For the purposes of Council Tax administration, a second home is defined as a dwelling which is substantially furnished but not used as the sole or main residence of any individual

A property is considered substantially furnished where it contains sufficient furniture, fixtures, and fittings to enable normal day-to-day occupation. The second element of the definition relates to the absence of a sole or main residence. Determining whether a property is a person's sole or main residence is not based on any single factor but instead relies on a holistic assessment of the individual's circumstances.

A property will generally be regarded as a second home where it is not occupied as a primary residence but is retained for intermittent or occasional use. This may include properties used for weekends, holidays, or other temporary stays, as well as properties held for personal, family, or recreational purposes. It may also be available for rental on a furnished basis. This is distinct from Long Term Empty Premiums as these are properties that would not support overnight accommodation as they did not contain furniture, not connected to utilities or not suitable for living in.

Scope for review

The definition of a second home and the length of time a property has been unoccupied are set in legislation and we are unable to make a distinction between the reasons why properties are second homes when applying the premium. For example we cannot make a distinction for properties where the liable party uses it to support working in the area.

The areas that can be considered are whether to charge the premium, after what period a premium should be charged and if the premium should only apply to certain parts of the Borough.

4. Policy Developments – Introduction of Premium Exclusions (April 2026)

From 1 April 2025, the legislative framework governing the Second Home Premium was refined through the introduction of a series of mandatory exclusion categories, which require billing authorities to disapply the 100% Council Tax premium in specific and defined circumstances. These exclusions form part of a nationally prescribed approach and must be applied where qualifying criteria are met.

- Dwellings actively marketed for sale or rent
  Properties may qualify where there is clear evidence that they are being genuinely marketed on the open market at a realistic price are excluded for one year.
- Inherited properties (probate cases)
  Properties that have recently transferred ownership following the death of the previous owner may qualify for an exclusion of one year.
- Job-related dwellings
  An exclusion applies where a second property is required as a result of employment circumstances. This includes situations where an individual must maintain accommodation for work purposes or is required to live in employer-provided housing.
- Annexes forming part of a main dwelling
  Annexes or subsidiary dwellings that are ancillary to a primary residence may be excluded where they are not occupied as independent second homes. These properties are typically used in connection with the main dwelling, for example by family members, and do not represent separate second home ownership.

5. Policy Objectives

The policy aims to increase housing availability, support sustainable communities and generate income.

6. Performance, Impact and Comparatives

The Second Home Premium has generated £576,000 in additional Council Tax income over its first two years of operation. The number of chargeable properties has reduced over time, with 121 properties currently liable compared to 175 identified overall. Only 72 properties have remained continuously within the premium, whilst 54 have had the premium removed since April 2025.

Currently authorities in Nottinghamshire that apply a second homes premium are Nottingham City, Broxtowe, Gedling and Newark & Sherwood along with Rushcliffe. With LGR on the horizon is now the right time to change the policy? when the new unitary authorities are formed harmonisation will be sought on Council Tax and associated premiums and discounts and further changes will follow. This applies to any of the premiums and discounts in this paper.

As you would expect the scheme generally impacts more authorities in tourism areas such as the coast. Attached at Appendix 1 is a graph depicting authorities that do apply the premium based on current data. Rushcliffe sits towards the end of ‘the tail’. There is therefore an argument to say that this policy is only going to be marginally effective given the small number of properties involved. That said the policy has been adopted by 210 out of 296 English authorities in 2025 (equivalent to 70.9% of Council’s that can apply the policy).

7. Limitations of the Review

This review provides an assessment of the Second Home Premium based on available data from its first two years of operation. While it offers a useful indication of early performance, a number of limitations should be recognised when interpreting the findings.

Firstly, the relatively short duration of the policy means that long-term trends cannot yet be reliably established. Changes observed to date reflect early behavioural responses and may not be sustained over time. The full impact on housing availability, community sustainability, and revenue stability will only become clearer over a longer period.

Secondly, the analysis is based primarily on Council Tax and administrative data, which does not capture wider housing market dynamics. As a result, it is not possible to fully assess how far observed changes are attributable to the premium itself.

In addition, the authority has not undertaken analysis of the motivations for second home ownership, as this is not required for administering the premium.

Appendix 1

<u>Graph showing numbers of properties applies a second home premium in shire districts in October 2025</u>