

FLINTSHIRE COUNTY COUNCIL

Date of Meeting	Tuesday, 1 st March 2016
Report Subject	Introduction of Council Tax Premium for long term empty and second homes
Report Author	Chief Officer (Community & Enterprise)

EXECUTIVE SUMMARY

The introduction of the Housing (Wales) Act 2014 now gives local authorities in Wales the discretion to charge up to a 100% council tax premium on long term empty properties and properties with a second homes/holiday homes from April 2017. The report sets out the legal framework for charging the premium and the circumstances where a premium may not be charged (commonly known as 'exceptions')

The Council may, if it wishes, charge a premium on long term empty homes and second/holiday homes at any rate between 0% and 100% but prior to the introduction of the premium, there is also a requirement for full Council to make a decision about whether to introduce a premium 12 months in advance of the premium taking effect, and if so, the level of premium which would be charged from April 2017.

The introduction of a premium, recommended at 50% during 2017-18, is designed to address local housing need and to encourage owners of empty and second homes to bring those properties back into full use.

RECOMMENDATIONS

1	Introduce the council tax premium scheme from 2017-18.
2	Adopt a 50% premium for the first year of implementation in 2017-18 for properties classed as second homes and long term empty homes.
3	Review the premium level during the first year of implementation with a view to increasing the rate from 2018-19 after taking into consideration the effectiveness of the new policy in incentivising owners to bring long term empty property and second homes back into full use.

REPORT DETAILS

1.00	EXPLAINING THE INTRODUCTION OF COUNCIL TAX PREMIUM FOR LONG TERM EMPTY AND SECOND HOMES
1.01	From April 2017, local authorities in Wales will be able use discretionary powers to charge a council tax premium of up to 100% of the standard rate of council tax on long term empty homes (unoccupied and unfurnished) and second homes (second homes/holiday homes that are furnished and not a main residence).
1.02	The Council has, for many years, adopted a policy of not providing a council tax discount on long term empty homes or second homes so a 100% council tax charge is payable on these types of property.
1.03	<p>The discretion given to local authorities to now charge a premium is intended by Welsh Government to be a tool to help:</p> <ul style="list-style-type: none">• Bring long-term empty homes back into full use to meet local housing needs• Support local authorities in increasing the supply of affordable housing for purchase or let• Enhance the sustainability of local communities
1.04	The determination to charge a premium must be made by full council at least one year before the beginning of the financial year to which the premium relates. This means that the earliest that a premium may be charged is from 1 st April 2017. A determination to charge a premium in 2018 must be made before 1 st April 2017 and so on.
1.05	The Council may impose a premium of up to 100% above the standard rate of council tax, i.e. giving an overall charge of 200% council tax on long term empty property and/or second homes. However, in the case of long term empty homes, the premium of up to 100% may only be imposed after the property has been empty and substantially unfurnished continuously for a period of 12 months or longer.
1.06	<p>When considering whether to charge a premium to long term empty homes and second homes, and if so, at what percentage level, local authorities are required to have regard to a number of factors. These include the:</p> <ul style="list-style-type: none">• Numbers of long term empty homes and second homes in the County• Distribution of these properties across the County and an assessment of their impact• Potential impact on the local economy and the tourism sector• Patterns of demand for, and availability of, affordable homes• Potential impact on local public services and the impact on the local community• Measures that are available to assist owners in bringing empty home back into use.

1.07	<p>The Council Tax system already provides a number of specific exemptions for unoccupied properties, some of which are time limited exemptions. These exemptions are not impacted by the introduction of the premium so not all empty homes will be automatically subject to a premium. These typically include circumstances where:</p> <ul style="list-style-type: none"> • A property becomes unoccupied and unfurnished (exempt for up to 6 months) • A property is undergoing or in need of major repair work to render it habitable (exempt for up to 12 months) • The only resident is now in long term residential care (unlimited period of exemption) • The only resident has died (unlimited period of exemption until probate has been granted and for up to six months after probate has been granted)
1.08	<p>However, where a property is no longer eligible for a council tax exemption but it remains unoccupied it can become liable for a premium, but in the case of an empty home, it can only be liable for a premium after it has been empty for a continuous period of one year.</p>
1.09	<p>In addition to the prescribed list of properties that may be exempt from council tax under existing arrangements, and by virtue of this, also exempt from the premium, WG have also prescribed seven other classes of property which may not be subject to a premium. The Council Tax (Exceptions to Higher Amounts Wales) Regulations set out the circumstances where it is not possible for local authorities to charge a premium on long term empty property or second homes.</p>
1.10	<p>The circumstances where a premium does not apply, or only applies after a specified time period, is designated by 'exception classes' as detailed below. Class 1-4 applies to both long term empty homes and second homes but Class 5-7 applies only to second homes:</p> <ul style="list-style-type: none"> • Class 1 – Properties being marketed for sale (time limited exception for a period of up to 12 months) • Class 2 – Properties being marketed for let (time limited exception for a period of up to 12 months) • Class 3 – Annexes forming part of, or being treated as part of the main property • Class 4 – Properties which would be someone's sole and main residence if they were not residing in Armed Forces accommodation • Class 5 – Occupied caravan pitches and boat moorings where the caravan or boat currently has no resident but when next in use will be a person's main residence • Class 6 – Seasonal properties where all year round occupation is prohibited by planning conditions • Class 7 – Job related properties where a property is left empty because the person in relation to the dwelling is now resident in another dwelling which is 'job-related' (as defined by Regulations)

1.11	Using the taxation system to encourage owners to bring long term empty property and second homes back into use would provide a sensible financial incentive to do so and potentially go some way to increase the supply of housing in the County. Currently, council tax records indicate that 888 properties as being long term empty or second homes which could be potentially liable for the premium from April 17, although some might be subject to an exception from the premium.
1.12	The analysis in Appendix 1 to this report shows the breakdown of long term empty property across the County.
1.13	The reasons why properties can be left empty can vary but typically the circumstances include cases where the last resident has passed away and the family have not yet disposed of the property even though probate has been granted over 6 months ago. In some cases, properties can be difficult to sell or rent because of the condition of the property. In other cases, owners may be refurbishing the property but taking a significant period of time, well beyond 12 months, in order to bring the property back into use.
1.14	There is also evidence to demonstrate that some owners simply sit on empty properties for long periods of time without having plans in place to bring the properties into use, this is often despite the best efforts of the Council to work with owners to encourage them to bring their asset back into use, either by accessing loans or grants.
1.15	If a determination is made to charge a premium from April 2017 an effective communication strategy will be developed to communicate more widely with taxpayers throughout 2016, particularly with those who might be affected from April 2017.

2.00	RESOURCE IMPLICATIONS
2.01	The Council will be able to retain all additional funds generated by implementing a premium and the decision to charge a premium would not be incorporated into the Tax Base for the calculation of Revenue Support Grant.
2.02	The introduction of a council tax premium might also require a review of staffing levels in the Revenues service in 2017-18 to administer and collect the council tax premium, safeguarding collection levels. This can be achieved using existing HR policies and re-deployment opportunities from within the existing workforce.
2.03	To address the housing shortage in Flintshire and address the budget gap in 2017-18 as a result of reducing levels of central government grants, the efficiency proposals in the Community & Enterprise portfolio have made an assumption of the introduction of a premium and potential income of circa £0.50m.
2.04	Taking into account the 12 month lead-in time before a premium can be charged, coupled with external economic factors and the way in which owners of empty property might respond to these changes, it is difficult to

	accurately predict the level of income that the premium might bring or indeed the impact of these changes on housing availability.
2.05	In addition to this, local authority Taxation Practitioners across Wales are still in the process of understanding the more complex details of these new Regulations, especially with the way in which the exceptions will work from 2017-18.
2.06	In view of this, at the time of drafting this report, it is very difficult to accurately estimate the net number of properties that might be liable for the premium from April 2017, especially those that might qualify as an exception from the premium.
2.07	Indications across the region are that most Councils will opt to introduce a 50% premium in the first year of implementation with the aim of reviewing the level of premium from 2018-19, having full regard to the impact of housing availability.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The introduction of this scheme was referred to Community & Enterprise Overview & Scrutiny Committee in February and was supported by the Committee. Cabinet has also endorsed the introduction of this scheme, including setting a 50% premium in 2017-18.
3.02	A number of press releases have been issued to raise public awareness of this scheme and a two week public consultation was published on the Council's website.

4.00	RISK MANAGEMENT
4.01	The implementation of a council tax premium brings an increasing need to balance a number of Council priorities. Firstly, minimising council tax levels and avoiding financial hardship for the owners of empty properties, especially those who might be genuinely trying to bring properties back into use. Secondly, the need to use the local taxation system to address the issue housing shortages within communities and addressing the negative impact on communities that empty homes can bring.
4.02	The safeguards put in place by WG to exempt certain classes of property from the premium, in some cases, for specified period of time, strike the right balance and provide owners with ample opportunity, in most cases, to bring their empty property back into use within a reasonable period of time.
4.03	There will be a need to consider additional safeguards to mitigate tax avoidance or tax evasion as part of the implementation plan, ensuring owners are paying the right amount of council tax. The cost of additional safeguards, including additional staff resources, is estimated to be approximately £20,000 per annum but would ultimately not lead to a budget pressure when taking into account the additional tax income being raised through the premium.

4.04	If a determination is made to charge a premium from April 2017 an effective communication strategy will be developed to communicate more widely with taxpayers throughout 2016, particularly to those who might be affected from April 2017.
4.05	The opportunity to work with taxpayers and signpost owners to other services, such as the Councils Empty Homes team or the North East Wales Homes service, will also help to mitigate the impact of the introduction of the premium in 2017-18 and provide very practical help to owners of long term empty homes to potentially access grants and loans or assist owners in letting empty homes.

5.00	APPENDICES
5.01	Appendix 1 - to this report provides an analysis of the 888 Long Term Empty Properties by Town/Community Council area and further analysed by Council Tax property band.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Local Government Finance Act 1992 (sections 12a (3) and 12b (4)) • Housing (Wales) Act 2014 • Council Tax (Exceptions to Higher Amounts) (Wales) Regs 2015 <p>Contact Office: David Barnes, Revenues Manager Telephone: 01352 703652 E-mail: david.barnes@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	Council Tax: is a locally set property tax set by each local authority based on the estimated value of a domestic property, which in Wales, is based on property valuations from April 2005.
7.02	Council Tax Exemptions: In some cases a property is exempt from Council Tax. This means that owners do not have to pay anything for the time the property qualifies for an exemption. Some exemptions can only be given for a limited length of time, others can be given for an unlimited time period, depending on the circumstances of the owner and/or property.
7.03	Long Term Empty property : is defined as a property which is both unoccupied and substantially unfurnished for a period of six months or more, but to be liable for a premium, it would be unoccupied and unfurnished for a continuous period of one year or longer.
7.04	A second home: is defined as a property which is not a person's sole or main residence and is substantially furnished.