

CABINET

Date of Meeting	Tuesday 21 st September 2021
Report Subject	Council Tax Premium Scheme for Second Homes and Long-term Empty Properties
Cabinet Member	Deputy Leader of the Council (Governance) and Cabinet Member for Corporate Management and Assets
Report Author	Chief Officer (Governance)
Type of Report	Operational

EXECUTIVE SUMMARY

Section 12 of the Local Government Finance Act 1992 provides Local Authorities in Wales with discretionary powers to charge, or vary, a Council Tax premium of up to 100% above the standard rate of Council Tax on certain classes of second homes and long-term empty properties. Council first made a determination in March 2016 (giving statutory 12 months' notice) to introduce a scheme from April 2017 and to raise a Premium of 50% on both second homes and long-term empty properties.

Since then, Council has resolved each year to continue with the scheme but with no change to the Premium levels.

This report sets out the key considerations if Cabinet consider it appropriate to vary the levels of the premium from 2022/23.

RECOMMENDATIONS

1	Cabinet are asked to consider the level of the Council Tax premium and determine whether to recommend to full Council the continuation of the current policy of charging 50% or undertake a further review and decide whether the premium level should be amended, and if so, at what level.
2	If Cabinet support a review of the Premium scheme, Cabinet is also asked to endorse carrying out a full public consultation prior to recommending any changes to full Council.

REPORT DETAILS

1.00	EXPLAINING THE COUNCIL TAX PREMIUM SCHEME
1.01	<p>Following the introduction of the Housing (Wales) Act 2014, Cabinet and Full Council in March 2016 agreed to introduce a Council Tax premium charge of 50% for dwellings designated as being periodically occupied (usually referred to as second homes) or long-term empty properties. The Council was required to make its first determination to introduce a scheme at least one year before the start of the financial year to which it relates. In other words, the scheme to charge a 50% premium took effect from 1st April 2017.</p>
1.02	<p>Since then, Council has resolved each year to continue with the scheme but with no change to the Premium levels. This report sets out the key considerations if Cabinet consider it appropriate to vary the levels of the premium from 2022/23.</p>
1.03	<p>In summary, Cabinet is asked to determine:</p> <ul style="list-style-type: none">• Whether the premium should be reduced, remain the same or be increased and to what percentage levels?• Whether the premium level should remain the same for both long term empty properties and second homes or should different percentage rates apply?
1.04	<p>Section 12 of the Local Government Finance Act stipulates that Council must also have regard to the guidance issued by Welsh Government and the need to carry out equality impact assessments, consultation with key stakeholders and the electorate, before taking a decision to vary/increase the premium level.</p>
1.05	<p>A billing authority can make, vary or revoke a determination made under sections 12A and 12B of the 1992 Act, but only before the beginning of the financial year to which the determination applies. Local Authorities ultimately have discretion to decide on the amount of the premium up to a maximum of 100% of the standard rate of Council Tax that applies to second homes and/or long term empty dwellings.</p>
1.06	<p>When considering whether or not to amend the premium levels, the discretion given to Local Authorities to charge a premium is intended to be a tool to help Local Authorities to:</p> <ul style="list-style-type: none">• bring long-term empty homes back into use to provide safe, secure and affordable homes; and• increase the supply of affordable housing and enhance the sustainability of local communities.
1.07	<p>If Cabinet is inclined to vary the level of the premium, other key considerations should be based on local housing needs, including:</p> <ul style="list-style-type: none">• Numbers and percentages of long-term empty homes or second homes in the area;

- Distribution of long-term empty homes or second homes and other housing throughout the authority and an assessment of their impact on property values in particular areas;
- Potential impact on local economies and the tourism industry;
- Patterns of demand for, and availability of, affordable homes;
- Potential impact on local public services;
- Potential impact on the local community;
- Other measures that are available to authorities to increase housing supply;
- Other measures that are available to authorities to help bring empty properties back into use.

1.08 There are circumstances where a premium does not apply, or only applies after a specified time period, and this 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:

- 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).

1.09 The latest analysis of properties shows a total of 772 properties are currently subject to the 50% premium charge, consisting of 605 long term empty properties and 167 second homes. This equates to 1.1% of all domestic properties being liable for the premium charge.

It is also important to note that a significant proportion of properties subject to the premium are in the lower property banded range.

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Band I	Total
Long Term Empty Properties	89	113	166	84	80	41	16	6	10	605
Second Homes	28	33	33	28	28	12	3	1	1	167

	An in-depth analysis showing the distribution of the 772 properties by Town and Community Council area is attached in Appendix 1 to this report.																																																																								
1.10	Solving housing problems and meeting demand is a complex strategy involving national and local government and increasing the level of the Council Tax premium will not be the 'silver bullet' to resolving local demand for affordable housing which is showing a demand of 2,120 applications in SARTH register for social/affordable housing.																																																																								
1.11	Using the Council Tax system to incentivise owners to bring properties back into permanent use does continue to offer limited capability to address local demand for housing. The premium scheme also provides additional Council Tax income to meet the demand on services or to use any additional revenue generated to help meet local housing needs, in line with the policy intentions of the premium scheme.																																																																								
1.12	At present, only 50% of Local Authorities in Wales (including Flintshire) charge a Council Tax premium on second homes and/or long term empty properties. For Local Authorities in Wales that charge the premium, levels can vary between second homes and long term empty properties and typically the levy can be from 25% to 100%.																																																																								
1.13	<p>The two tables below show the analysis of the premium levels that have been charged across Wales for second homes and/or long term empty properties since the regulations were introduced by Welsh Government in 2017/18.</p> <p>Council Tax Premiums for Second Homes</p> <table border="1"> <thead> <tr> <th>Local Authority</th> <th>2017-18</th> <th>2018-19</th> <th>2019-20</th> <th>2020-21</th> <th>2021-22</th> </tr> </thead> <tbody> <tr> <td>Flintshire</td> <td>50%</td> <td>50%</td> <td>50%</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>Denbighshire</td> <td>-</td> <td>-</td> <td>-</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>Wrexham</td> <td>50%</td> <td>50%</td> <td>50%</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>Conwy</td> <td>-</td> <td>-</td> <td>25%</td> <td>25%</td> <td>25%</td> </tr> <tr> <td>Gwynedd</td> <td>-</td> <td>50%</td> <td>50%</td> <td>50%</td> <td>100%</td> </tr> <tr> <td>Isle of Anglesey</td> <td>25%</td> <td>25%</td> <td>35%</td> <td>35%</td> <td>35%</td> </tr> <tr> <td>Powys</td> <td>50%</td> <td>50%</td> <td>50%</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>Ceredigion</td> <td>25%</td> <td>25%</td> <td>25%</td> <td>25%</td> <td>25%</td> </tr> <tr> <td>Pembrokeshire</td> <td>50%</td> <td>50%</td> <td>50%</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>Swansea</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>100%</td> </tr> <tr> <td>Cardiff</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	Local Authority	2017-18	2018-19	2019-20	2020-21	2021-22	Flintshire	50%	50%	50%	50%	50%	Denbighshire	-	-	-	50%	50%	Wrexham	50%	50%	50%	50%	50%	Conwy	-	-	25%	25%	25%	Gwynedd	-	50%	50%	50%	100%	Isle of Anglesey	25%	25%	35%	35%	35%	Powys	50%	50%	50%	50%	50%	Ceredigion	25%	25%	25%	25%	25%	Pembrokeshire	50%	50%	50%	50%	50%	Swansea	-	-	-	-	100%	Cardiff	-	-	-	-	-
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Council Tax Premiums for Long Term Empty Properties

Local Authority	2017-18	2018-19	2019-20	2020-21	2021-22
Flintshire	50%	50%	50%	50%	50%
Denbighshire	-	-	50%	50%	50%
Wrexham	50%	50%	50%	50%	50%
Conwy	-	-	25%	25%	50%
Gwynedd	-	50%	50%	50%	100%
Isle of Anglesey	25%	25%	100%	100%	100%
Powys	50%	50%	50%	50%	50%
Ceredigion	25%	25%	25%	25%	25%
Pembrokeshire	-	-	25%	50%	25-100%*
Swansea	-	-	-	100%	100%
Cardiff	-	-	50%	50%	50%

In the case of Pembrokeshire*, the premium for long-term empty properties is dependent on the length of time a property has been empty. The premium is currently set 25% for properties empty for 3 years or more, 50% for properties empty for 4 years or more and 100% for properties empty 5 years or more.

1.14

Council officers continue, as they have done for several years, to correspond with members of the public who are often subject to the Council Tax premium. Although there are examples where owners do not take practical measures to bring properties, especially long term empty homes, back into full use, nevertheless, there are also many reasons why properties are left long term empty or periodically occupied and therefore subject to the premium - these can typically fall into a number of categories:

Long Term Empty Properties

- Estates of deceased owners where other Council Tax exemptions have elapsed and ownership has not transferred. Currently 11% of all Long Term empty premiums are issued to Executors of deceased estates;
- Beneficiaries of long term empty properties that they have inherited;
- New owners/tenants who purchase a property that has already been empty for 12 months and do not move in straight away due to works being required to the property or adaptations to meet the needs of a disability or for other reasons;
- Properties that remain empty for over 12 months whilst obtaining planning permission for alterations/improvement or an application to demolish;
- Homes where renovations cannot be completed within 12 months due to scale of works, lack of available tradesman or they are being completed by the owners in their spare time;

	<ul style="list-style-type: none"> Homes that remain empty over 12 months due to Covid-19 restrictions limiting progress of works, access to the property or the availability of building materials and trades; Long term empty properties where renovations are delayed by the owners due to financial constraints – including the imposition of the premium; Properties that cannot be sold due to there being negative equity in the property; Properties where the owner chooses not to occupy, sell or bring the property back into use. <p>Second Homes</p> <ul style="list-style-type: none"> Properties that are secondary residencies and used as holiday homes; Properties that remain the responsibility of estates of deceased owners but which remain furnished (11% of all Second Home/LTE Premium charges are addressed to Executors on behalf of deceased estates). 																																										
1.15	With the current premium level set at 50% for long term properties and second homes, £649k of additional income is generated annually through the premium scheme (£509k for long-term empty and £140k for second homes).																																										
1.16	<p>If, for example, premium levels are increased following a public consultation, the additional revenue generated will depend on the revised level of the premium but could typically consist of an additional £100k for every additional 10% levy above 50% on long-term empty properties and an additional £28k for every additional 10% levy on designated second homes. This can be illustrated in the tables:</p> <p>Second homes</p> <table border="1"> <thead> <tr> <th>%</th> <th>50%</th> <th>60%</th> <th>70%</th> <th>80%</th> <th>90%</th> <th>100%</th> </tr> </thead> <tbody> <tr> <td>Value (£)</td> <td>139,847</td> <td>167,817</td> <td>195,786</td> <td>223,755</td> <td>251,725</td> <td>279,694</td> </tr> <tr> <td>Increase (£)</td> <td>-</td> <td>27,969</td> <td>55,939</td> <td>83,908</td> <td>111,878</td> <td>139,847</td> </tr> </tbody> </table> <p>Long Term-empty properties</p> <table border="1"> <thead> <tr> <th>%</th> <th>50%</th> <th>60%</th> <th>70%</th> <th>80%</th> <th>90%</th> <th>100%</th> </tr> </thead> <tbody> <tr> <td>Value (£)</td> <td>508,969</td> <td>610,763</td> <td>712,557</td> <td>814,351</td> <td>916,145</td> <td>1,017,939</td> </tr> <tr> <td>Increase (£)</td> <td>-</td> <td>101,794</td> <td>203,588</td> <td>305,382</td> <td>407,176</td> <td>508,969</td> </tr> </tbody> </table>	%	50%	60%	70%	80%	90%	100%	Value (£)	139,847	167,817	195,786	223,755	251,725	279,694	Increase (£)	-	27,969	55,939	83,908	111,878	139,847	%	50%	60%	70%	80%	90%	100%	Value (£)	508,969	610,763	712,557	814,351	916,145	1,017,939	Increase (£)	-	101,794	203,588	305,382	407,176	508,969
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2.00	RESOURCE IMPLICATIONS
2.01	If Cabinet (and Council) decide to increase the level of the premium on long term empty properties and/or second homes following a public consultation, there is a possibility of increasing the Council Tax yield and to use any additional revenue generated to help meet local housing needs, in line with the policy intentions of the premium scheme.

2.02	The additional revenue generated will depend on the revised level of the premium and whether owners bring properties back into full use, but could typically consist of an additional £100k for every additional 10% levy on long-term empty properties and an additional £28k for every additional 10% levy on designated second homes.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	Changing the Council Tax premium levels brings an increasing need to balance a number of risks. Firstly, minimising Council Tax levels and avoiding financial hardship for the owners of empty properties and second homes, especially those who might be genuinely trying to bring long term empty 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.
3.02	Section 12 of the Local Government Finance Act 1992 says that the Council must have regard to the guidance issued by Welsh Government. The guidance as set out says that <i>“the determination by a local authority to charge a premium must be made at full Council. Prior to doing so, a local authority must give due consideration to its statutory duties to carry out equality impact assessments under the Equality Act 2010 and the Welsh Public Sector Equality Duties 2011 and to all other relevant considerations. A local authority should also give consideration to engagement and consultation with key stakeholders, including the local electorate before taking a decision as to whether or not to charge one or both of the premiums”</i>

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	When considering any changes to the Council Tax premium scheme or the levels being charged, the Council should undertake a full public consultation to gain feedback, including feedback from taxpayers directly impacted by the changes. Feedback can then be considered by cabinet and by Corporate Resources Overview and Scrutiny Committee prior to any final recommendation and adoption by Cabinet and full Council.

5.00	APPENDICES
5.01	Appendix 1 – This shows the breakdown of properties subject to the premium charge by Town and Community Council area. The analysis also tracks the total number of banded properties in each area.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Housing (Wales) Act 2014 • Local Government Finance Act 1992, sections 12A and 12B • Council Tax (Exceptions to Higher Amounts) (Wales) Regs 2015

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: David Barnes, Revenues Manager Telephone: 01352 703652 E-mail: david.barnes@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	<p>Council Tax Premium: an additional amount of Council Tax of up to 100% (a premium) can be charged by Local Authorities in Wales for property defined as either being second homes or long term empty property. There are some exceptions from the Council Tax premium for a period of up to 12 months. For example, if the property is being actively marketed for rent or sale.</p> <p>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.</p> <p>A second home: is defined as a property which is not a person's sole or main residence and is substantially furnished.</p> <p>SARTH: is a process used to allocate social housing across Flintshire to eligible applicants. The Single Access Route to Housing (SARTH) is a single housing register, shared by all social housing providers in the County of Flintshire and is used to assess applications and only those with recognised housing need in a banding system are able to go on the housing register. This means applicants have one point of contact and one application process to complete and be considered for all available social housing in Flintshire.</p>