

Subject: COUNCIL TAX PREMIUMS CONSULTATION – LONG TERM EMPTY PROPERTIES AND SECOND HOMES

Meeting: Cabinet

Date: 18th January 2023

Divisions/Wards Affected: All

1. PURPOSE:

1.1 The purpose of this report is to:

- outline the discretionary powers that councils have available to them to charge higher amounts of council tax (i.e. premiums) on certain types of property.
- seek approval to go ahead with a public consultation exercise to consider introducing council tax premiums from 1st April 2024.

2. RECOMMENDATIONS:

2.1 To note details of the discretionary powers that Councils have relating to council tax premiums, as detailed in this report.

2.2 To agree to undertake a public consultation exercise for proposals to introduce a council tax premium for long term empty properties and second homes, to sit alongside the planned budget consultation exercise due to run until 16th February 2023.

2.3 To use the results of the consultation to determine whether or not to introduce council tax premiums for either or both long term empty properties and second homes from 1st April 2024.

2.4 That the response to the consultation and the resultant proposal for any introduction of council tax premiums is considered by Scrutiny Committee prior to being considered for approval.

3. KEY ISSUES:

3.1 Since 1st April 2017, under the Housing (Wales) Act 2014, Councils have discretionary powers to charge a premium of up to 100% on long term empty properties and second homes.

3.2 The decision to charge a council tax premium on either a long-term empty property, second home or both is a decision for each council to make. Councils can set different levels of premium for each class.

3.3 Welsh Government have recently undertaken a consultation exercise to update these regulations. As a result, from 1st April 2023, councils will be able to charge a premium of up to 300% on top of the standard rate of council tax for these properties.

4. Long term empty properties

- 4.1 A long term empty property is defined as a dwelling which is both unoccupied and substantially unfurnished for a continuous period of at least one year.
- 4.2 In determining the length of time a dwelling has been empty, no account is to be taken of any period before 1st April 2016. In addition, the furnishing or occupation of a dwelling for one or more periods of six weeks or less during the year will not affect its status as a long-term empty dwelling. In other words, a person cannot alter a dwellings status as a long-term empty dwelling by taking up residence or installing furniture for a short period.
- 4.3 The regulations identify seven classes of dwellings that are exempt from the premium. These include dwellings marketed for let or sale, annexes and seasonal homes. A full list can be found on page 7 of the accompanying guidance found in Appendix One.
- 4.4 There are currently circa 400 properties listed on our council tax system as a long-term empty property. We will however have to check and verify the status of each property ahead of billing for any premium.

5. Second Homes

- 5.1 A second home is determined as a dwelling which is not a person's sole or main home and is substantially furnished. These dwellings are referred to in the Local Government Finance Act (LGFA) 1992 as dwellings occupied periodically but they are commonly referred to as "second homes".
- 5.2 There are currently circa 190 properties listed on our council tax system as a second home. As above, we will have to check and verify the status of each property ahead of billing for any premium.

6. Consultation

- 6.1 Any decision to charge a premium must be made by Full Council following a period of engagement and consultation with key stakeholders.
- 6.2 It is proposed that consultation runs alongside the 2023/24 budget consultation exercise which is scheduled to run through January and February 2023. A copy of the consultation questions can be found in Appendix Two.
- 6.3 The intention is also to write out to all properties currently identified on our database as being either a long-term empty property or a second home to draw their attention to the consultation.
- 6.4 Thereafter the outcome of the consultation will be considered as part of the Council Tax Resolution and Final Budget Setting report that is due to be debated by Full Council on 9th March 2023.

7. Proposal to charge a premium

- 7.1 The outcome of the consultation exercise will ultimately determine whether the council goes ahead in charging a premium for either long term empty properties and/or second homes. The consultation will also determine the percentage of any premium applied.

7.2 For second homes, the legislation and guidance requires councils to make their first determination at least one year before the beginning of the financial year to which the premium relates. It is also considered good practice to give rate payers of long-term empty properties 12 months' notice of a first determination to apply a premium. Therefore, a decision to charge a council tax premium will need to be made before 1st April 2023 and will be effective from 1st April 2024.

7.3 Should the Council determine to charge premiums there is also a requirement to publish a notice in the local paper within 21 days of a decision.

7.4 The council will also write out to each homeowner affected to advise them of the decision and to provide them with as much advance notice as possible.

8. Housing Context

8.1 The discretion given to councils to charge a premium is intended to be a tool to:

- help bring long term empty properties back into use to provide safe, secure and affordable homes
- support councils in increasing the supply of affordable housing and enhancing the sustainability of local communities

8.2 The council's Community and Corporate plan is currently in draft and is due to be presented to Full Council on 19th January 2023. The plan identifies some specific issues that the County is facing particularly in respect to house prices, an increasing demand for affordable housing and the use of temporary accommodation. Any additional revenue generated from council tax premiums could be utilised to help address some of these issues in future.

9. OPTIONS APPRAISAL

9.1 Full consideration of the proposal will be made following the completion of the consultation exercise.

10. EVALUATION CRITERIA

10.1 See above.

11. REASONS

11.1 To agree to undertake a public consultation exercise about the introduction of a charge for council tax premiums for long term empty properties and second homes in the county.

12. RESOURCE IMPLICATIONS

12.1 The amount of additional revenue generated from the proposal will depend on the number of properties (as noted above a full housekeeping exercise is required to determine exact numbers) and the percentage level of the premium awarded.

12.2 Current modelling, estimates that for:

- **long term empty properties:** estimates range from £88,000 to £2.1m depending on the level of premium and number of eligible properties.
- **second homes:** estimates range from £21,000 to £1m depending on the level of premium and number of eligible properties.

12.3 The full budget impact will be determined following the consultation exercise and will be included in the Medium Term Financial Plan for 2024/25 onwards.

13. WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING)

13.1 This will be considered in full following the outcome of the consultation exercise.

14. CONSULTEES:

Cabinet
Strategic Leadership Team
Chief Officer for Resources
Head of Finance

15. BACKGROUND PAPERS:

Appendix One: Guidance on the implementation of Council Tax Premiums in Wales

Appendix Two: Consultation questions.

16. AUTHORS:

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