

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

Meeting: Performance & Overview Scrutiny Committee

Date: 27th February 2023

Divisions/Wards Affected: All

1. PURPOSE:

1.1 The purpose of this report is to:

- Consider the consultation responses regarding council tax premiums on long term empty properties and second homes.
- Consider the resulting proposals to introduce council tax premiums on long term empty properties and second homes from 1st April 2024.

2. RECOMMENDATIONS:

2.1 To note the consultation responses received as detailed in this report.

2.2 That the Council use its discretionary powers to introduce a council tax premium for long term empty properties on a sliding scale from 100% to 300% effective from 1st April 2024. With a 100% premium applying to properties empty for 1 year, a 200% premium to properties empty for 2 years and a 300% premium to properties empty for 3 years or more.

2.3 That the Council use its discretionary powers to introduce a council tax premium for second homes of 100% from 1st April 2024 and will give further consideration to the impact on the local economy before utilising that power.

3. KEY ISSUES:

3.1 Background

3.1 Since 1st April 2017, under the Housing (Wales) Act 2014, Councils have discretionary powers to charge a premium of up to 100% (rising to 300% from 1st April 2023) 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 For second homes, the legislation and guidance require 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.

3.4 There is also a requirement that where a Council determines to charge premium, a notice is published in the local paper within 21 days of a decision.

3.5 Councils are expected to consult ahead of deciding to charge a council tax premium. Any decision to charge a premium must be made by Full Council (under Section 12A and 12B of the Local Government Finance Act 1992 as inserted by Section 139 Housing (Wales) Act 2014) following a period of engagement and consultation with key stakeholders. Cabinet decided on 18th January 2023 to undertake a consultation exercise to seek views on introducing a council tax premium on both long term empty properties and second homes in the county. Results of the consultation can be found in section 7 below and Appendices three to five. The outcome of the consultation and the decision whether to charge a council tax premium is due to be considered by Full Council on 9th March 2023.

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 whether a dwelling has been empty for one year, 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 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 check and verify the status of each property ahead of billing for any premium to ensure premiums are applied fairly and correctly.

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. Housing Context

6.1 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

6.2 The council's draft Community and Corporate 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.

7. Results of the Consultation

7.1 The consultation ran for a period of four weeks, closing on 16th February 2023. A copy of the consultation questions can be found in Appendix Two.

7.2 A letter was sent to properties currently identified on our database as being either a long term empty property or a second home drawing attention to the consultation and encouraging people to respond.

7.3 The consultation received 320 responses. The majority of responses 240, were from residents of the county, 58 were as an owner of a second home, 29 as an owner of a long term empty property and 20 others, e.g. employees of the council, relatives, visitors to the area. (N.b. respondents could select more than one category for this answer).

7.4 Of the responses, 63% were in favour of introducing a council tax premium for long term empty properties and 54% were in favour of introducing a council tax premium for second homes in the county.

7.5 Opinion was more divided over the level of premium to apply. Although in both cases the most favoured premium was 300% (long term empty properties, 42% and second homes, 44%)

7.6 There was a varied mix of responses to the consultation. Full details of the responses can be found in Appendices Three, Four & Five. In general, those in support of a premium for long term empty properties thought this was a good idea and should help to bring homes back into use. Those who disagreed with the premium suggested that there may be valid reasons for a property to be empty and that owners were already paying full council tax. For second homes the general response in favour of a premium was if someone can afford a second home then they can afford to pay more council tax. For those who responded no, responses touched on the relatively small number of second homes in the county and the potential impact the premium may have on the tourism sector in the county.

8. OPTIONS APPRAISAL

8.1 Following the consultation, the following options were considered:

1. Do nothing, determine not to introduce a premium for either long term empty properties or second homes resulting in council taxpayers continuing to be charged full council tax on these properties.
2. Apply additional council tax charges (by way of a council tax premium) according to the popular outcome of the consultation.

3. Apply council tax charges (by way of a council tax premium) in a way that considers the potential impact on the tourism economy in the county, according to a frequently occurring argument within the consultation.
- 8.2 The results of the consultation, indicate that in both cases the majority of respondents were in favour of the introduction of a council tax premium on both long term empty properties and second homes.
- 8.3 The following options were selected:
1. Introduce a Council Tax premium for empty homes of 300% on a sliding scale. A charge of 100% shall be applied for properties empty for one year and shall rise to 200% for properties empty for two years and rise further to 300% for properties empty for three years or more. Upon introduction of the system in April 2024, the scale will be applied immediately. Charges will be incurred on the sliding scale according to the length of time properties have been registered as empty.
 2. Apply a Council Tax premium for second homes of 100% from April 2024. However Cabinet have indicated that they intend to review this decision ahead of implementing these premiums if it is felt that this could adversely affect the tourism industry in Monmouthshire.

9. EVALUATION CRITERIA

- Review against Welsh Government Guidance
- Comparison to other Councils in Wales currently charging a premium
- Potential future budget requirements
- The impact and effect of these premiums will be monitored (especially the potential impact on the tourism economy). A report will be brought back to this committee in 2025/26 to reflect on the first year of implementation.

10. REASONS

- 10.1 To note the responses received to the public consultation exercise about the introduction of a charge for council tax premiums for long term empty properties and second homes in the county.

11. RESOURCE IMPLICATIONS

- 11.1 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).

- 11.2 Current modelling, estimates that for:

- **long term empty properties:** the proposed council tax premium will generate estimated revenue of up to £1.6m. The exact amount will depend on the actual number of empty properties recorded. Work will be undertaken throughout 2023 to update records held and to notify taxpayers of these charges.
- **second homes:** the proposed council tax premium will generate estimated revenue of up to £365,000. As above, the exact amount will depend on the actual number of eligible properties, which will be determined following a full review through 2023.

11.3 The full budget impact will be determined following a review of the property data held and an assessment of any additional resources and costs (e.g. system developer costs) required to administer the premium. The additional net revenue generated will be included in the Medium Term Financial Plan for 2024/25 onwards.

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

12.1 An Equality Impact Assessment has been completed in respect of the proposal and concluded that there are no issues which would prevent the Council from implementing these premiums. See Appendix Six for full details.

12.2 As noted in paragraph 6.2, the introduction of council tax premiums will help to address some of the housing issues the county faces and in doing so contributes to the delivery of Corporate Plan priorities and well-being goals as set out in the Well-being of Future Generations Act.

13. CONSULTEES:

Cabinet
Strategic Leadership Team
Chief Officer for Resources
Head of Finance

14. BACKGROUND PAPERS:

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

Appendix Two: Consultation questions.

Appendix Three: Consultation responses

Appendix Four: Long Term Empty property comments

Appendix Five: Second Home comments

Appendix Six: Future Generations Impact Assessment

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