

Report To: Full Council

Date of Meeting: 5<sup>th</sup> December 2017

Lead Member / Officer: Julian Thompson Hill / Richard Weigh

Report Author: **Richard Weigh / Paul Barnes**

Title: Implementation of a Council Tax Premium on Long Term Empty Homes and Second Homes

1. What is the report about?

The new powers Local Authorities in Wales have to increase Council Tax charges on Long Term Empty Homes and Second Homes as a result of the Housing Act (Wales) 2014.

2. What is the reason for making this report?

A decision is required on whether to charge a Council Tax Premium on:

- a) Long Term Empty Homes and if so what rate (up to a maximum of 100%);
- b) Second Homes and if so what percentage rate (up to a maximum of 100%).

3. What are the Recommendations?

Recommendation 1

Charge an additional 50% Council tax levy on both Long Term Empty Properties and Second Homes.

Recommendation 2

The charge is implemented on Long Term Empty Properties from April 2018 and Second Homes from April 2019 (Legislation advises we must give Second home owner 12 month notice of any charges).

4. Report details

From 1<sup>st</sup> April 2017 Councils in Wales were given the powers to charge homeowners up to 100% extra Council Tax on long-term empty homes and second homes, these powers have been delegated through "The Housing (Wales) Act 2014". Additional charges will be implemented via the current Council Tax billing process every April. Authorities are required to have the charges ratified by full council a year prior to implementation for Second Homes, however, for Long Term Empties the requirement is only that the property must be empty for at least a full year before a charge is levied. The stated aims of the legislation are intended as tools;

- for local authorities to help bring empty homes back into use
- to increase the supply of affordable housing
- to enhance the sustainability of local communities.

**Appendix 1** - A copy of the detailed Welsh Government guidance.

The definitions provided are as follows -

**Long-term empty property a dwelling which is unoccupied and substantially unfurnished for a continuous period of at least one year.**

Second home a dwelling which is not a person's sole or main home and is substantially furnished.

A number of north Wales's authorities made a formal decision by April 2016 so that the powers were in place by April 2017, which has provided insight to help develop our recommendations. Denbighshire decided to defer the powers until now for a number of reasons, to ensure there was the opportunity for a detailed public consultation, to assess the impact in other local authority areas. It was it would be appropriate for the council elected in 2017 to make the decision as it would take affect during their term of office.

**Appendix 2** - Shows the position taken by other authorities in the region.

We are recommending an additional premium of 50% is applied to Long Term Empty Homes from April 2018 and Second Homes from April 2019. This value has been set after significant discussion with regional colleagues. The rationale is for consistency of charges between both Long Term Empties and Second Homes is -

- Regional consensus is that harmonised charging will result in less switching between the categories and less confusion with residents;
- In line with most of the other North Wales Local Authorities;
- 50% a balance - not excessively onerous but likely to change behaviour to bring properties back into use;
- Overall consideration of consultation responses seems to support 50%.

The set premium value can be reviewed and amended annually, as appropriate. Any premium changes must be agreed by full council at least a year prior to implementation. We would propose a review for members during September 2018.

**The legislation provides for a number of exemptions and these include:**

- for dwellings being marketed
- for dwellings being marketed for let
- for job-related dwellings
- for Seasonal homes where year-round occupation is prohibited
- Exception for Occupied caravan pitches and boat moorings
- Annexes forming part of, or being treated as part of, the main dwelling
- Dwellings which would be someone's sole or main residence if they were not residing in armed forces accommodation

5. How does the decision contribute to the Corporate Priorities?

This links directly into the Housing Corporate Priority, by ensuring "Everyone is supported to live in a home that meets their needs." This would be attached through the aspiration of bring empty properties back into use in Denbighshire.

6. What will it cost and how will it affect other services?

We have been working with Civica to understand the additional resources required if a decision is made to charge a premium. There will be software costs to allow the Authority to manage the data and some additional staff resources would be required to administer the processes. Indications are these costs could be £24,000 per annum.

Whilst the charging of a premium on these properties would generate additional funds the main driver for Welsh Government in introducing this legislation is to help local authorities to:-

- Bring long term empty homes back into use to provide safe, secure and affordable homes
- Support local authorities in increasing the supply of affordable housing and enhancing the sustainability of local communities

Financial forecasts have been prepared however. The following should be noted:-

- The numbers of long term properties and the numbers of second homes are indicative only and a validation process would be needed prior to implementation.
- There may be many of both types of property that are exempt and based on some research undertaken by other Local Authorities the numbers may reduce by 70%, i.e only 30% would be applicable for a charge.
- The current overall Council Tax collection rate has also been applied - 97.9%

Forecast bases on all factors –

- Total Long Term Empty Homes – 946 Properties
- Properties empty for longer than 12 months - 502
- Estimate that only 30% of the properties identified would be eligible for a premium (Flintshire research) leaves 147

Total income for year one £99,480 (after costs)

- Total Second Homes – 250 properties
- Estimate that only 30% of the properties identified would be eligible for a premium (Flintshire research) leaves 73
- Long Term Empty – 147 properties
- Second Homes - 73 properties

Total income for year one £54,671 (after costs)

7. What are the main conclusions of the Well-being Impact Assessment?

Denbighshire County Council is considering the adoption of this policy and a public consultation ran from 16th November to 14th December 2016. The results of the consultation fed into this assessment. The overall findings are to implement a Council Tax premium on these properties would achieve Welsh Government's intentions which in turn would have a positive impact for individuals finding local housing, and more collectively on local economies and local communities both in urban and rural areas of Denbighshire. **Appendix 3**

8. What consultations have been carried out with Scrutiny and others?

Formal communication to internal and external partners took place during the end of 2016 and early 2017 considering the impact and benefits of these charges to Denbighshire and partners. The overall feedback was supportive of a change on second homes and long term empty properties.

A public consultation was held for a four week period from 16<sup>th</sup> November to 14<sup>th</sup> December 2016. A total of 49 responses were received. A summary of the responses is attached as **Appendix 4**

A presentation was produced for council briefing on the 13<sup>th</sup> November 2017, due to time restrictions it was not presented on the day and was circulated to members to review and comment.

9. Chief Finance Officer Statement

The stated policy aims behind the legislation are generally around improving the supply of housing and improving community resilience. Both aims are consistent with the council's new priorities. Whilst the premiums will generate some additional revenue, the sums forecast are modest. As this is a new policy, the forecasted costs and revenues will be kept under review.

10. What risks are there and is there anything we can do to reduce them?

Whilst there is indicative information for the number of second homes, at present we do not hold robust data as in the past there has been no requirement to ask council tax payers to specify if a property was a second home. This could impact on the financial projections in this paper, work is planned to refine the database to mitigate these matters longer term.

There may be also be avoidance tactics to avoid paying the premium. The premium not being set consistently across Long Term Empties and Second Homes could prove an administration challenge with customers switching between the categories and opting for the lower tax band could undermine the proposal. This can be managed by charging the same for both categories.

11. Power to make the Decision

- Housing (Wales) Act 2014
- The Council Tax (Exceptions from Higher Amount) Wales Regulations 2015