

Report To: County Council

Date of Meeting: 4<sup>th</sup> December 2018

Lead Member / Officer: Julian Thompson Hill / Richard Weigh

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

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



## 1. What is the report about?

The powers given by Welsh Government to Local Authorities in Wales 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?

At a meeting of Full Council on 5<sup>th</sup> December 2017 it was agreed to utilise those powers and the following was resolved:-

- Charge an additional 50% Council Tax levy on **long term empty homes** from April 2018.
- Charge an additional 50% Council Tax levy on **second homes** from April 2019 (legislation advises we must give second home owners 12 month notice of any change)

However it was also resolved to report back to the full Council on the impact of the policy after 12 months.

## 3. What are the Recommendations?

### Recommendation 1

Note the contents of the report and retain the agreed current levy of an additional 50% Council Tax premium on long term empty properties.

### Recommendation 2

To progress the implementation of the agreed additional 50% Council Tax premium second homes from April 2019.

## 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. The stated aims of the legislation are intended as tools to:

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

The statutory definitions (within the Housing Act) are:

- a long-term empty property is a dwelling which is unoccupied and substantially unfurnished for a continuous period of at least one year.
- a second home is a dwelling which is not a person's sole or main home and is substantially furnished.

The rationale for recommending a 50% premium in Denbighshire is set out below:

- Regional consensus suggested that harmonised charging (i.e. the same % rate on both types of property) will result in less switching between the categories and less confusion with residents;
- A premium of 50% was consistent with most of the other north Wales councils;
- 50% was deemed – not to be excessive but likely to be sufficient to change behaviour to bring properties back into use;
- Overall consideration of consultation responses supported the 50% premium.

The administrative impact noted throughout the year includes:

- An increase in property inspector visits to distinguish empty homes from second homes. Until the premium is applied to both classifications of property, some homes have been reclassified from empty to second homes during the year and have to be visited as part of the process
- There was an increase in telephone call enquiries initially but this has now stabilised
- Five Stage 1 complaints were received, though none were upheld or progressed to Stage 2.

## **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 achieved through the aspiration to bring empty properties back into use in Denbighshire.

## **6. What has it cost and how has it affected other services?**

Implementation costs were £22k of which approximately £10k is a recurring cost.

Although the aims of the legislation are to increase the supply of available housing, the charging of a premium generates some additional funding.

It was explained in December 2017 that it was difficult to accurately predict the financial impact of charging the premiums but forecasts were prepared for the Council report and were based on:

- indicative numbers of long term empty and second homes
- an expectation that approximately 70% properties would meet exemption criteria (based on other local authority research)
- the collection rate being consistent with the council's overall Council Tax collection rate

The estimates of numbers of property in each classification were based on data recorded in November 2017 and are shown in the table below. The table compares these figures with the most recent data from November 2018:

Property Type	Nov 2017 Forecast No.	Nov 2018 Actual No.
Second Homes	250	434
Long Term Empty Properties (LTE) - Not Eligible	799	373
LTE Eligible for Premium	147	383
<b>Total LTE</b>	<b>946</b>	<b>756</b>

The table shows that the total number of long term empty properties has reduced by 190, although the number eligible to pay a premium has increased by 236. There has also been an increase of 184 properties classed as second homes, which suggests some reclassification of properties between categories during the year. The numbers of properties eligible for the LTE premium is higher than forecast and has an estimated consequential on the tax base. The forecast suggests the impact on the Council Tax yield will be approximately £238k in a full year, compared to the forecast of £99k calculated last year. Premiums on second homes are payable from April 2019. The number of properties now classified as second homes is higher than the original estimate. The impact of this on the yield, using the same assumptions as in December 2017, would generate approximately £158k.

The latest estimates are accounted for in the base assumptions for 2019/20.

In January 2018, an exercise was undertaken to write to all customers who were potentially liable for the premium. This gave customers the opportunity to contact the Council Tax team to discuss their circumstances and allowed time for customers to budget for the increase. Where applicable, the Council Tax team referred cases to the Empty Homes Officer for advice. The Property Inspector was also utilised where necessary to determine the correct status for a property.

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

A well-being impact assessment was completed in December 2017 as part of the original report to Council. It has been reviewed for this report and the conclusion remains unchanged, namely that to implement a Council Tax premium on eligible properties would achieve the policy intention which in turn should have a positive impact on local housing supply. The results of the public consultation fed into the original assessment.

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

For the original proposal in 2017, 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 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.

The formal report was presented to Full Council on 5<sup>th</sup> December 2017.

## **9. Chief Finance Officer Statement**

The administration of the policy has been successfully implemented. The potential impact on funding is modest and has been assumed in the tax base estimates for next financial year. The objectives of the policy are consistent with those of the Corporate Plan and should help to contribute to bring more homes back into use.

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

The introduction of the premium on second homes may prompt more properties to register for NNDR (National Non-Domestic Business Rates), rather than Council Tax which would impact the local funding base. This practice has been noted in a number of other authorities.

The premium not being set consistently across both long term empty and second homes could prove to be an administration challenge with customers switching between the categories.

It is unclear how many of the second homes currently identified would meet the criteria to be registered for NNDR.

## **11. Power to make the Decision**

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