

Report to	Cabinet
Date of meeting	23rd May 2023
Lead Member / Officer	Gwyneth Ellis/ Paul Barnes / Leah Gray
Head of Service	Steve Gadd
Report author	Paul Barnes / Leah Gray / Elaine Edge
Title	Second Home / Long-term Empty Council Tax Premium

1. What is the report about?

- 1.1. To update Cabinet on the legislation introduced by Welsh Government (WG) to increase the maximum level of council tax premiums for second homes and long –term empty properties. To seek advice on how Cabinet would like to progress with any potential additional charging to these homes in Denbighshire.

2. What is the reason for making this report?

- 2.1. To provide information to Cabinet on the current data in relation to second homes and long term empty properties within Denbighshire.
- 2.2. To highlight the potential for change to the premium charges in council tax for second homes and long term empty properties
- 2.3. To update the changes in criteria for holiday lets in National Non Domestic Rates (NNDR) as this may result in some properties being reclassified as second homes (Appendix B 1.2)
- 2.4. To seek guidance and advice on how Cabinet would like to progress on the considerations outlined in this paper.

3. What are the Recommendations?

- 3.1. That Cabinet review the paper and supporting information being presented and advise how they would like officers to proceed. A public consultation package will be prepared if members choose to propose an increase in the premium rates above the current 50% premium charge.
- 3.2. It is recommended that there is parity between the standard second home and long term empty Premium, to minimise avoidance by taxpayers (who may apply to switch to the more favourable category) and so ensure the administrative burden is not increased significantly, except for properties that fall within recommendation.
- 3.3. That Cabinet agree to the following proposals that will inform a public consultation prior to final decisions by Cabinet and Council:
 - 3.3.1 The second home and long term empty premium charge will remain at 50% for April 2023 then increases to 100% from April 2024, then 150% from April 2025.
 - 3.3.2 That properties that have been unoccupied and unfurnished for 5 years or more pay a higher premium at 50% more than the standard Premium.

4 Report details

Additional information has been provided to support the report and provide further detail if required.

- 4.1 The Background and context (Appendix B 1.1.)
- 4.2 Legislative changes (Appendix B 1.2.)
- 4.3 Considerations (Appendix B 1.3.)
- 4.4 Potential choices, there are an infinite number choices available, but the freedoms centre around;
 - Maintaining the current charging rates of 50%
 - Increase charge on long term empty properties up to a maximum of 300% premium (an additional 300% on top of the standard Council Tax charge). The financial value seen in Item 6 of Appendix A.

- Increase charge on second homes up to a maximum of 300% premium (an additional 300% on top of the standard Council Tax charge). The financial value seen in Item 6 of Appendix A.
- Introduction of a tapered approach to long term empty properties - for example, properties that have been unoccupied for 5 years or more are charged 200% and 300% after 10 years (Currently we do not taper any of the premium charges).

Clearly there are many choices open to members that could allow an increase of up to 300% for second homes and long term empty homes.

The Policy intention from Welsh Government aims to change behaviours and encourage properties back into use within communities, rather than increasing council tax income. With this in mind Members may decide to increase premium amounts or look to focus on an increase on long term empty properties

However, officers would recommend a measured response to any increase to allow a learn and evaluate approach. Also any sudden large increase on the Premium or a significant change, will result in a large volume of Section 13a applications for a discretionary relief from the Premium. This will involve significant resource as well as an expected increase in appeals and complaints. The administrative cost will need to be reflected if this is the case.

The recommendations made by officers has tried to strike a balance to consider how to effectively administer the scheme, while considering the regional context and wider legislative factors.

5 How does the decision contribute to the Corporate Plan 2022 to 2027: The Denbighshire We Want?

5.1 The purpose of the premium charge is to increase affordable housing within Denbighshire and to maintain / grow prosperous and sustainable communities. The scheme has a neutral effect on the Council becoming Net Carbon Zero and ecologically positive by 2030.

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

6.1 There will be an impact on staff resources, i.e., there will be an increase in customer engagement within the council tax team if the premium is increased. The property inspector will have an increase in visits to ensure fraud or tax avoidance is minimal. Additional revenue will however be raised if the premium percentage is increased.

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

7.1 We have started to develop our Well- Being impact assessment and the finding from the public consultation will form a key element of its development.

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

8.1 This report is the beginning of the engagement process and the advice from Cabinet will determine our next steps including a public consultation.

9 Chief Finance Officer Statement

9.1 The report clearly outlines the options available for the Council's approach to the new flexibilities for charging higher rates for long term empties and second homes. It is important to note that the decision to use these freedoms can be reviewed on an annual basis as part of the annual Council Tax setting process. The recommendation is for a cautious approach while we learn from the experience of other authorities – but we obviously recognise that this is a very political decision. Any decision to change the rates will involve wider consultation which would need to commence as soon as possible

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

10.1 The risks will be identified and evaluated once members have advised on their preferred option. Considerations at this stage are around the need for a public consultation to any proposed changes and the number of changes/ proposed changes to legislation that could impact on the tourism industry in Denbighshire.

10.2 Any increase in premium may increase the risk of fraud and avoidance. Vigilance by officers and the additional use of the Property Inspector will reduce the risk.

11 Power to make the decision

- Housing (Wales) Act 2014
- The Council Tax (Exceptions from Higher Amount) Wales Regulations 2015
- The Council Tax (Long-term Empty Dwellings and Dwellings Occupied Periodically (Wales) Regulations 2022