

COUNCIL TAX PREMIUMS

**FINANCE, MODERNISATION AND PERFORMANCE
(COUNCILLOR CHRIS WEAVER)**

AGENDA ITEM: 13

Reason for this Report

1. For Cabinet to:
 - Consider the discretionary powers that the Council has to charge higher amounts of Council Tax (a premium) on certain properties provided for by the Housing (Wales) Act 2014.
 - Having regard to these powers, to consider approving a formal period of public consultation on a proposal to both introduce a premium for properties that are occupied periodically and to consider amending the current level of premium for long term empty dwellings.

Background

2. The Housing (Wales) Act 2014 amended the Local Government Finance Act 1992 by inserting section 12A which gave the Council the discretion to discontinue any discounts granted to long term empty homes and apply a premium of up to 100% on top of the standard rate of council tax.
3. As a result of this on 29th November 2018 the Council resolved to undertake a consultation exercise on the application of a council tax premium on long term empty dwellings. This consultation exercise was completed on 14th January 2019.
4. After considering the results of the consultation exercise the Council resolved that with effect from 1st April 2019 a 50% council tax premium was applied to long term empty dwellings that had been unoccupied and substantially unfurnished for more than 12 months. Therefore, a council tax charge of 150% is currently made on these properties (a 50% premium plus the 100% standard charge).
5. The Council can make, vary, or revoke a determination made under Section 12A of the 1992 Act, but only before the beginning of the financial year to which the determination applies. Where a determination is made to apply a council tax premium, a local authority must publish a

notice of the determination in at least one newspaper circulating in its area within 21 days of the date of the determination.

6. The Housing (Wales) Act 2014 also amended the Local Government Finance Act 1992 by inserting Section 12B which gave the Council the discretion to apply a premium of up to 100% on top of the standard rate of council tax on properties occupied periodically (for example second homes and unoccupied furnished lets). So far, the Council has not decided to apply a premium on these type of dwellings.
7. If a determination is made under Section 12B then it must be made at least one year before the beginning of the year to which it relates.
8. A premium cannot be charged on a dwelling that falls within an exception class. The Council Tax (Exceptions to Higher Amounts Wales) Regulations 2015 set out the following exceptions –

Class	Definition	Application
Class 1	Dwellings being marketed for sale – time limited for one year.	Second Homes and Long-Term Empty Properties
Class 2	Dwellings being marketed for let – time limited for one year	
Class 3	Annexes forming part of, or being treated as part of, the main dwelling	
Class 4	Dwellings which would be someone's sole or main residence if they were not residing in armed forces accommodation	
Class 5	Occupied caravan pitches and boat moorings	Second Homes
Class 6	Seasonal homes where year-round occupation is prohibited	
Class 7	Job-related dwellings	

9. The Council Tax (Long-term Empty Dwellings and Dwellings Occupied Periodically) (Wales) Regulations 2022 have now further amended Sections 12A and 12B of the Local Government Finance Act 1992 to provide that with effect from 1st April 2023 the Council has the discretion to charge a premium of up to 300% on top of the standard rate of council tax on both properties occupied periodically and long-term empty property.
10. This will enable Councils to decide the level which is appropriate for their individual local circumstances. Councils will be able to set the premium at any level up to the maximum, and they will be able to apply different premiums to properties occupied periodically and long-term empty property.

Long term empty dwellings

11. Many issues of community concern arise from some of the empty properties within the city; these include fly tipping, nuisance, vandalism, criminal activity, and visual deterioration, all of which have the potential to adversely affect neighbouring properties and residents. Some empty properties can be a blight on a local community and boarded up dwellings have a significant impact on the way potential investors perceive an area. In addition to the above, empty properties also represent a wasted resource considering the housing demand within the city. This year's figures show that there are 1232 empty for more than six months at any one time and the Housing enforcement team within the Shared Regulatory Services (SRS) actively monitor 200 of those empty properties on a prioritised basis as part of the Private Sector Empty Homes Policy. Priority is given to problematic empty homes and those vacant for more than 5 years
12. In addition to reactive visits to complaints about empty properties, the SRS also work proactively to capture the wider scope of long-term empty properties. The Council seeks to incentivise owners to act positively in bringing properties into beneficial use in several ways. These include signposting owners to the Houses into Homes loan scheme, providing a list of private property developers, referring to a Housing Association for lease and repair where feasible or providing proof of empty status letters for VAT reduction on renovation costs. Although some owners may be receptive to this approach, there are of course situations where owners are absent and cannot be traced or are resistant to resolving the issues. In these circumstances, the SRS can exercise a number of enforcement powers. These can deal with immediate issues such as fly tipping and making premises secure to more long-term solutions such as enforced sale or compulsory purchase.
13. The number of long-term empty properties that are paying a premium has increased from 732 in April 2019 to 862 at the end of October 2022 which is an indication that the current level of premium may not be sufficient to act as an added incentive to bring properties back into beneficial occupation. Therefore, consideration should be given to whether a higher level of premium should be paid in addition to the current council tax liability.

Dwellings occupied periodically

14. A property that is occupied periodically is defined as a dwelling that is not a person's sole or main residence and is substantially furnished. These dwellings are referred to in the Local Government Finance Act (LGFA) 1992 as dwellings occupied periodically but they include "second homes" and dwellings that are unoccupied between lets.
15. The Council Tax records indicate that at the end of October 2022 there are more than 3,200 of these dwellings in the city. Given the significant number of these type of dwellings they impact upon the available housing

stock in the city. Therefore, consideration should be given to whether a premium should be paid in addition to the current council tax liability.

Current charges for long term empty dwellings and periodically occupied dwellings

16. Dwellings that are occupied periodically are currently charged at the rate of 100% which means that no premium is currently payable on these properties.
17. Long term empty dwellings have been charged 150% since 1st April 2019 which is made up of a 50% premium plus the 100% standard council tax charge.

Proposal to increase the rate of premium for long term empty dwellings and to charge a premium on dwellings that are occupied periodically

18. The Council is committed to minimising the number of empty properties that exist in view of the housing demand within the city and the impact that some empty properties have upon the local community.
19. To seek to achieve this it is proposed that the premium rate for long term empty dwellings is increased from 50% to 100% from 1st April 2023. This means that the charge on dwellings that are unoccupied and substantially unfurnished for more than 12 months will increase from 150% to 200% with effect from 1st April 2023.
20. It is also proposed that a premium of 100% is charged on dwellings that are occupied periodically (second homes and unoccupied furnished lets etc) with effect from 1st April 2024. To apply this premium the Council must give at least one year's notice. This means that the charge for dwellings that are occupied periodically will increase from 100% to 200% with effect from 1st April 2024.

Consultation

21. The determination by a local authority to charge a premium must be made by full Council. Prior to doing so a local authority must give due consideration to its statutory duties to carry out equality impact assessments under the Equality Act 2010 and the Welsh Public Sector Equality Duties 2011 and to all other relevant considerations. The Welsh Government has also stated that a Council should consider engagement and consultation with key stake holders, including the local electorate, before taking a decision as to whether or not to charge a premium.
22. The consultation would be open to all stakeholders with appropriate coverage on both the website and Council buildings such as hubs and libraries.

Reason for Recommendations

23. The discretion given to Council's to charge a premium is intended to be a tool to help local authorities to:

Bring long-term empty homes back into use to provide safe, secure and affordable homes; and

Support Council's in increasing the supply of affordable housing and enhancing the sustainability of local communities.

24. It is also necessary for the Cabinet and Council to consider the discretionary powers that are available in relation to applying Council Tax premiums.

Financial Implications

25. The report recommends that a consultation be commenced in respect of increasing the Council Tax premium on long term empty dwellings from 50% to 100% from 1 April 2023, and to introduce a 100% premium on periodically occupied properties from 1 April 2024. Full financial impact will ultimately depend on the outcome of consultation and subsequent recommendations.

26. Local authorities are permitted to retain any additional funds generated through Council Tax premiums, although the Welsh Government encourages the use of any additional revenue generated to help meet local housing needs. In implementing or extending premiums, the additional cost of administration and recovery is an important consideration in determining the overall net financial benefit.

27. If the current unoccupied and unfurnished premium is increased to 100% with effect from 1st April 2023, a prudent estimate of additional income generated before any incremental administration costs, is £300k. Further work is required to estimate the likely income in 2024/25 if a new premium is implemented for vacant furnished dwellings.

Legal Implications

28. Legal Implications appear throughout the text of this Report.

29. If a decision is made to adopt a Council Tax Premium, then an Equality Impact Assessment will need to be carried out.

30. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the

Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

HR Implications

31. There are no HR implications associated with this report.

Property Implications

32. There are no immediate property implications arising from the recommendations of this report. Subject to approval, the exercise should consider the impact on empty residential properties which may owned by the Council.

RECOMMENDATIONS

Cabinet is recommended to

- (1) Note the information in respect of the discretionary powers relating to Council Tax Premiums as outlined in this report.
- (2) Approve the undertaking of a consultation exercise on the application of a Council Tax Premium for periodically occupied dwellings and increasing the level of premium for long term empty dwellings.
- (3) Note that the results of the consultation exercise will inform a final decision to be taken at Council early in 2023.

SENIOR RESPONSIBLE OFFICER	Chris Lee Corporate Director Resources
	9 December 2022