

FLINTSHIRE COUNTY COUNCIL

Date of Meeting	Tuesday 13 th December 2022
Report Subject	Council Tax Premium Scheme for Second Homes and Long-term Empty Properties
Cabinet Member	Cabinet Member for Governance and Corporate Services including Health and Safety and Human Resources Corporate Management and Assets
Report Author	Chief Officer (Governance)
Type of Report	Strategic

EXECUTIVE SUMMARY

Local authorities in Wales have had discretionary powers since 2017 to charge a Council Tax premium of up to 100% above the standard rate of Council Tax on certain classes of second homes and long-term empty properties.

From April 2023, local authorities in Wales will also have the autonomy to charge, or vary, a Council Tax premium rate of up to 300% above the standard charge which could result in individuals paying an overall charge of 400%.

The Council introduced a premium scheme from 2017 and established a premium rate of 50% on both second homes and long-term empty properties. This rate has applied each year since 2017.

Following a public consultation that was undertaken in November 2021, and at the request of Cabinet, this report now sets out the key considerations for the Council Tax Premium Rates, to reflect an up-lift in premium from 50% to 75% for Long Term Empty properties and an uplift to 100% for Second Homes from April 2023.

RECOMMENDATIONS

1	For Council to consider the current rate of premium of 50% on second homes and long-term empty properties and determine whether the rate should remain the same or be varied to 75% for Long Term Empty properties and 100% for Second Homes from April 2023.
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REPORT DETAILS

1.00	EXPLAINING THE COUNCIL TAX PREMIUM SCHEME
1.01	Following the introduction of the Housing (Wales) Act 2014, Cabinet and Full Council in March 2016 agreed to introduce a Council Tax premium from April 2017 and to charge a premium rate of 50% for dwellings designated as being periodically occupied (usually referred to as second homes) or long-term empty properties.
1.02	Since then, Council has resolved each year to continue with the scheme but with no change to the premium levels of 50%. Following a recent public consultation that was undertaken at the request of Cabinet, this report sets out the key considerations and options if Council consider it appropriate to vary the levels of the premium from April 2023. In summary, Cabinet is recommending proposed changes to the Premium Rates as detailed below: <ul style="list-style-type: none">• 75% for Long Term Empty properties, and• 100% for Second Homes.
1.03	Welsh Government recently introduced further regulations so that from April 2023, local authorities in Wales will now have the autonomy to charge, or vary, a Council Tax premium rate of up to 300% above the standard charge which could result in owners of long-term empty properties and second homes being responsible for an overall charge of 400%.
1.04	Section 12 of the Local Government Finance Act says that before decisions are taken to vary or increase the rate of the Council Tax premium, Councils must also have regard to the guidance issued by Welsh Government. The key element of the guidance is set out in section 1.12 of this report. Consultation with the public also forms a key part of the decision-making process around future options for the Council Tax premium scheme.
1.05	At the request of Cabinet, an extensive public consultation was undertaken from 8 th November 2021 to 6 th December 2021 to canvass the views of the public on the current Council Tax premium scheme, its effectiveness and impact on the local community and the use of the scheme to incentivise owners to bring properties into full use to support the supply of local housing for local residents. The consultation also explored opinions on alterations to the premium rates and the perceived benefits and risks to adopting any alternative or amended scheme.
1.06	504 consultation responses were received from a broad range of people with many different interests and differing views. These included: <ul style="list-style-type: none">• Those resident in Flintshire who pay Council Tax who are not second home or Long-term empty property owners.• Those residents in Flintshire who are second home or long-term empty property owners.• Second home and long-term empty homeowners in Flintshire who also are resident in the county.

	<ul style="list-style-type: none"> Residents of Flintshire who do not pay Council Tax and also do not own a long-term empty property or second home.
1.07	<p>A comprehensive breakdown of the full results of the consultation is set out in Appendix 1 and the comments made in free text responses is detailed in Appendix 2 to this report.</p> <p>In summary, the consultation revealed that:</p> <ul style="list-style-type: none"> Nearly two thirds of those responding felt long-term empty properties have a negative impact on their local community compared to only 3.5% feeling they had a positive effect. Almost half of those responding felt that second homes had a negative impact on their local community. Over 55.3% of those responding consider that the impact of long-term empty and second homes is to decrease availability of affordable housing. 50.4% felt the premium rate for second homes should be increased above the current 50% rate. Only 33.7% considered it should be reduced or not charged. 50.9% felt the premium rate for long-term empty properties should be raised above the current level. 58.4% of respondents felt introducing the premium rate after 12 months was the correct timescale. 40.1% of respondents considered that if the premium rate was reduced it would lead to an increase in second homes and long-term empty properties in Flintshire. If the premium rate were to increase, of those who are liable to pay the premium rate many said they would sell the property, followed by no action and pay the premium, refurbish and rent it out, and move into the property themselves. 42.3% of respondents felt an increase in premium above 50% would have a positive impact on their local community
1.08	<p>The results of the consultation demonstrate there is the opportunity for change with some support for a potential increase in the current level of premium on either, or both, long term empty properties and second homes.</p> <p>However, the consultation results also clearly demonstrate that there are occasions when taxpayers become liable for the premium where it may be difficult for them to sell, renovate a property or rent it out due to perhaps inheriting a property or it forms part of a complex estate.</p> <p>Similarly, purchasers who buy a property that has been empty for over 12 months may also become liable for the premium making it more difficult financially to carry out the works required.</p>
1.09	<p>Using the results of the consultation, Cabinet is now suggesting changes to the premium scheme to reflect an up-lift from 50% to 75% for Long Term Empty properties and 100% for Second Homes from April 2023.</p>
1.10	<p>A careful balance therefore needs to be struck to encourage owners of long-term empty properties to bring them back into use with the financial</p>

	burden and affordability issues that may result on those parties such as new owners or existing owners who do not have the option or the funds to take immediate steps to bring the property back into use.
1.11	<p>When considering whether to amend the premium rates, the discretion given to local authorities to charge a premium is intended to be a tool to help them to:</p> <ul style="list-style-type: none"> • bring long-term empty homes back into use to provide safe, secure, and affordable homes; and • Increase the supply of affordable housing and enhance the sustainability of local communities.
1.12	<p>If Council support a variation in the rate of the premium, other key considerations should be based on local housing needs, including:</p> <ul style="list-style-type: none"> • Numbers and percentages of long-term empty homes or second homes in the area. • Distribution of long-term empty homes or second homes and other housing throughout the authority and an assessment of their impact on property values in particular areas. • Potential impact on local economies and the tourism industry. • Patterns of demand for, and availability of, affordable homes. • Potential impact on local public services. • Potential impact on the local community. • Other measures that are available to authorities to increase housing supply. • Other measures that are available to authorities to help bring empty properties back into use.
1.13	<p>Not all long-term empty properties and second homes are subject to the premium and there are circumstances where a premium does not apply, or only applies after a specified period, and this is designated by 'exception classes' as detailed below. Class 1-4 applies to both long term empty homes and second homes, but Class 5-7 applies only to second homes:</p> <ul style="list-style-type: none"> • Class 1 – Properties being marketed for sale (time limited exception for a period of up to 12 months) • Class 2 – Properties being marketed for let (time limited exception for a period of up to 12 months) • Class 3 – Annexes forming part of, or being treated as part of the main property • Class 4 – Properties which would be someone's sole and main residence if they were not residing in Armed Forces accommodation • Class 5 – Occupied caravan pitches and boat moorings where the caravan or boat currently has no resident but when next in use will be a person's main residence • Class 6 – Seasonal properties where all year-round occupation is prohibited by planning conditions • Class 7 – Job related properties where a property is left empty because the person in relation to the dwelling is now resident in another dwelling which is 'job-related' (as defined by Regulations)

	<p>There is currently no exception from the Council Tax premium for properties with a planning condition specifying its use as holiday accommodation or restricting the occupancy of that property as a person's sole or main residence. From April 2023, Welsh Government are intending to amend Class 6 of the exceptions. The proposed change will affect Council Tax premiums for dwellings occupied periodically by including properties subject to a planning condition which:</p> <ul style="list-style-type: none"> • specifies a dwelling may only be used for short-term holiday lets; or restricts occupancy of the property to prohibit use as a person's sole or main residence. • Such properties would be liable for Council Tax at the standard rate but could not be charged a premium.
1.14	<p>Flintshire is one of eleven local authorities in Wales to levy the Council Tax premium. 7 councils (including Flintshire) set the levy at 50% (or lower) for second homes for the current year (2022/23). Three councils with significant numbers of holiday homes levy a higher premium on second properties.</p> <p>For long term empty properties 11 councils set a premium of which 4 are above 50%. An analysis of the premium rates across Wales is attached in Appendix 3 to this report.</p>
1.15	<p>To strike the right balance, and using the results of the recent consultation, Cabinet considered a range of options, including retaining, as a minimum, the premium rate at the existing level of 50% or increasing the premium rate on both long-term empty properties and second homes to a rate no higher than 75%. In view of increasing budget pressures and the need to reduce the number of unoccupied properties, Cabinet now recommend changes to the premium rates as set out in paragraph 1.02 of this report.</p>
1.16	<p>Setting the premium rate above the current levels would ensure the Council continues to increasingly incentivise owners to bring properties back into full use, but at the same time, set a premium rate for 2023-24 which, as far as possible, does not cause undue hardship to those who are liable for the premium.</p>
1.17	<p>Using the Council Tax system to incentivise owners to bring properties back into permanent use helps to mitigate limited capability to address local demand for housing. The premium scheme also provides additional Council Tax income to meet the demand on services or to use any additional revenue generated to help meet local housing needs, in line with the policy intentions of the premium scheme.</p>
1.18	<p>Solving housing problems and meeting demand remains a complex strategy involving national and local government. Local demand for affordable housing shows high levels of need with 2,289 applications on the SARTH common housing register for social/affordable housing. Increasing the level of the Council Tax premium is not a 'silver bullet' to resolving supply but it is one of the tools that the Council can use.</p>
1.19	<p>There is evidence to indicate that the implementation of a Premium encourages owners of long-term empty properties to bring them back into use. In 2016 (prior to the introduction of the premium) there were 888 long</p>

	term empty properties in Flintshire. This figure in 2022 is now 605, a reduction of 283 (32%).
1.20	<p>There are examples where owners choose not to bring properties, especially long-term empty homes, back into full use. Equally, it is also important to recognise that there are also many reasons why properties are left long term empty or are only periodically occupied and therefore subject to the premium. These can typically fall into several categories:</p> <p>Long Term Empty Properties</p> <ul style="list-style-type: none"> • Estates of deceased owners where other Council Tax exemptions have elapsed, and ownership has not transferred. Currently 11% of all Long-Term empty/Second home premiums are issued to Executors of estates. • Beneficiaries of long-term empty properties that they have inherited. • New owners/tenants who purchase a property that has already been empty for 12 months and do not move in straight away due to works being required to the property or adaptations to meet the needs of a disability or for other reasons. • Properties that remain empty for over 12 months whilst obtaining planning permission for alterations/improvement/demolition • Homes where renovations cannot be completed within 12 months due to the scale of works, lack of available tradesman or where they are being completed by the owners in their spare time. • Long term empty properties where renovations are delayed by the owners due to financial constraints – including the imposition of the premium. • Properties that cannot be sold due to there being negative equity in the property. • Homes that remain empty over 12 months due to Covid-19 restrictions limiting progress of works, access to the property or the availability of building materials and trades. <p>Second Homes</p> <ul style="list-style-type: none"> • Properties that are secondary residencies and used as holiday homes. • Properties that are the responsibility of estates of deceased owners, but which remain furnished thereby not counting as long term empty (11% of all Second Home/LTE Premium charges are addressed to Executors on behalf of estates).

2.00	RESOURCE IMPLICATIONS
2.01	Following the public consultation, if Council decide to raise the level of the premium on long term empty properties and/or second homes, there is a possibility of increasing the Council Tax yield and to use any additional revenue generated to help meet local housing needs, in line with the policy intentions of the premium scheme.

2.02

The additional revenue generated to support services will depend on the revised level of the premium rates but would typically consist of an additional £101k for every additional 10% levy above 50% on long-term empty properties and an additional £28k for every additional 10% levy on designated second homes. This can be illustrated as:

Second homes – 167 homes in total

%	50%	60%	70%	75%	100%
Value (£)	139,847	167,817	195,786	209,771	279,694
Increase (£)	-	27,969	55,939	69,924	139,847

Long Term-empty properties – 605 properties in total

%	50%	60%	70%	75%
Value (£)	508,969	610,763	712,557	763,453
Increase (£)	-	101,794	203,588	254,484

3.00 IMPACT ASSESSMENT AND RISK MANAGEMENT

3.01

A full integrated impact assessment (IIA) has been undertaken to ensure the Council has properly understood and assessed the potential impacts of the proposal to potentially vary the premium rates. The IIA is set out in Appendix 4. There are no negative impacts to consider with regard to protected characteristics of particular groups.

Ways of Working (Sustainable Development) Principles Impact

Long-term	Positive: Access to affordable housing remains, as well as bringing empty homes back into full, use remains a strategic long-term priority for the Council to enhance the local housing market and improve local communities. The premium scheme is designed to encourage owners to bring empty homes back into use ensuring that we maximise the use of our existing resources prior to exploring the possibility of encouraging new developments.
Prevention	Positive: The premium scheme is designed to encourage owners to bring empty homes back into use. Reducing the number of empty homes will in the long term tend to reduce housing disrepair. Empty homes can also have a detrimental impact on local communities and the majority of the respondents to the consultation. Nearly two thirds of those responding felt long-term empty properties have a negative impact on their local community

Integration	<p>Positive: There is a close alignment with Welsh government priorities of the refurbishment of empty properties into homes.</p> <p>One of the Councils key objectives is ‘Developing affordable and accessible housing’ and specifically bringing empty homes back into full use to enhance the local housing market and improve our local communities.</p>
Collaboration	No change
Involvement	<p>Positive: A full public consultation has been undertaken and the majority of responses support the continuation of the scheme, with many responses also supporting an up-lift in the premium rates. The summary of the consultation is set out in Appendix 1 to this report.</p>
<p>The introduction, and continuation, of the Council Tax premium scheme for long term empty properties and second homes is intended to help to bring properties back into full use, to improve the supply of affordable housing and to support the sustainability of local services and communities. The policy will continue to positively contribute to the well-being objectives.</p>	
Prosperous Wales	Positive impact – the premium scheme helps to incentivise owners to bring properties back into full use, thereby helping to develop resilient and sustainable communities.
Resilient Wales	Positive impact – the premium scheme helps to incentivise owners to bring properties back into full use, thereby helping to develop resilient and sustainable communities.
Healthier Wales	Positive impact – adequate provision and availability of housing is recognised as a key enabler to good health.
More equal Wales	Positive impact - The premium scheme is designed to ensure empty homes are brought back into use and enable local residents to secure homes. This will create fairness in the system as we know that housing issues tend to be more acute for younger people who often find it difficult to secure homes.

	Cohesive Wales	Positive impact - Pressures in the local housing market are such that people who live and work in the County are increasingly find it difficult to get on the property ladder and secure a house. The premium scheme could have a positive impact by encouraging owners to bring empty properties back into use and thereby helping to develop strong and cohesive communities by addressing housing needs.
	Vibrant Wales	Positive impact: the policy disincentives properties being left empty or being periodically occupied and instead encourages properties to be lived in full time as a primary residence. Having a higher percentage of properties being permanent residences will encourage the uptake, maintenance of the Welsh language in the community. It will also provide more opportunity for local residents to have access to housing stock when they require in order to stay living local and contribute to the local culture of the area rather than migrating away.
	Globally responsible Wales	No impact

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	At the request of Cabinet, a full public consultation was undertaken in November and December 2021. The feedback from this consultation is set out in Appendix 1 and 2.

5.00	APPENDICES
5.01	Appendix 1 - Results of the public consultation Appendix 2 - Free Text Responses of the Public Consultation Appendix 3 - Analysis of premium schemes across Wales Appendix 4 - Integrated Impact Assessment (IIA) Appendix 5 - Analysis of Long-Term Empty Properties and Second Homes

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<ul style="list-style-type: none"> • Housing (Wales) Act 2014 • Local Government Finance Act 1992, sections 12A and 12B • Council Tax (Exceptions to Higher Amounts) (Wales) Regs 2015 • The Council Tax (Long Term Empty Dwellings and Dwellings Occupied Periodically) (Wales) Regulations 2022 • Welsh Government Guidance on the implementation of the Council Tax Premium scheme https://gov.wales/sites/default/files/publications/2019-06/council-tax-on-empty-and-second-homes.pdf • The Council Tax (Exceptions to Higher Amounts) (Wales) (Amendment) Regulations 2023 (the draft regulations).

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: David Barnes, Revenues & Procurement Manager Telephone: 01352 703652 E-mail: david.barnes@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
8.01	<p>Council Tax Premium: an additional amount of Council Tax of up to 300% (a premium) can be charged from April 2023 by local authorities in Wales for property defined as either being second homes or long-term empty property. There are some exceptions from the Council Tax premium, some of which are time limited.</p> <p>Long Term Empty Property: is defined as a property which is both unoccupied and substantially unfurnished for a period of six months or more, but to be liable for a premium, it would be unoccupied and unfurnished for a continuous period of one year or longer.</p> <p>A Second Home: is defined as a property which is not a person's sole or main residence and is substantially furnished.</p> <p>SARTH: is a process used to allocate social housing across Flintshire to eligible applicants. The Single Access Route to Housing (SARTH) is a single housing register, shared by all social housing providers in the County of Flintshire and is used to assess applications and only those with recognised housing need in a banding system can go on the housing register. This means applicants have one point of contact and one application process to complete and be considered for all available social housing in Flintshire.</p>