

CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE

Date of Meeting	Thursday, 12 September 2024
Report Subject	Council Tax Premium Scheme for Second Homes and Long-term Empty Properties
Cabinet Member	Cabinet Member for Finance and Social Value
Report Author	Chief Officer (Governance)
Type of Report	Strategic

EXECUTIVE SUMMARY

Local authorities in Wales have discretionary powers to charge a council tax premium of up to 300% above the standard charge on long term empty properties and second homes.

To support bringing properties back into use, the Council first introduced a premium scheme from April 2017 and established a premium rate of 50% on both long-term empty properties and second homes. From April 2023, the Council increased the premium rates to 75% for long term empty properties and 100% for second homes.

In line with the recommendations of Council at the meeting held in February 2024, and a Cabinet decision in March 2024, Cabinet commissioned a further public consultation on the premium rates for long term empty properties and second homes. Specifically it asked whether those rates should be varied from April 2025, and if so, to what level.

This report sets out the public feedback following the recent consultation, and the key considerations for setting or varying the premium rates.

The premium rates must be set by County Council. Scrutiny is asked to formulate its view, prior to County Council taking the decision, on whether the rates should remain the same or be varied from April 2025.

RECOMMENDATIONS

1	Consider the council tax premium rates and for scrutiny committee to formulate a view, prior to County Council taking the decision, on whether the rates should remain the same or be varied from April 2025.
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REPORT DETAILS

1.00	EXPLAINING THE COUNCIL TAX PREMIUM SCHEME AND RATES
1.01	<p>Following the introduction of the Housing (Wales) Act 2014, Cabinet and Full Council agreed to introduce a council tax premium charge of 50% from April 2017 for dwellings designated as being periodically occupied (usually referred to as second homes) or long-term empty properties.</p>
1.02	<p>The Council increased the premium rates to 75% for long term empty properties and 100% for second homes from April 2023.</p>
1.03	<p>Since the premium rates were uplifted, the number of long term-empty properties and second homes subject to the premium have marginally reduced, as more owners are bringing their properties into full use.</p> <p>An analysis of the 766 properties by Town and Community Council area is shown in Appendix 1 to this report.</p> <p>There are currently 766 properties subject to the premium charge. 593 properties are subject to the 75% long term empty premium and 173 properties are liable for the 100% second home premium. This equates to 1% of all domestic properties being subject to some form of premium charge.</p>
1.04	<p>In line with the recommendations of Council at the meeting held on 20 February 2024, Cabinet committed to undertake a further public consultation to review the premium rates which could take effect from April 2025.</p>
1.05	<p>This report therefore sets out the results of the 12-week public consultation that was undertaken from April 2024 to July 2024 to canvass the views and opinions of the public on the current premium scheme, its effectiveness, and the use of the scheme to incentivise owners to bring properties into full use.</p> <p>There was a total of 215 responses to the consultation. A comprehensive breakdown of the consultation results is set out in Appendix 2 and the free format comments are detailed in Appendix 3.</p> <p>In summary, for second home premiums, the consultation confirms:</p> <ul style="list-style-type: none">• 39.7% felt that second homes had a negative impact on their local community compared to 23% who felt they had a positive impact.• Over two thirds (67.3%) felt that the premium for second homes should remain at the current level, be reduced, or not charged at all, compared to 32.7% who felt it should be increased. <p>For long-term empty properties, the consultation confirms:</p>

	<ul style="list-style-type: none"> • 55.9% thought long-term empty properties have a negative impact on their local community compared to only 2.5% feeling they had a positive effect. • 55.1% felt that the premium for long-term empty properties should remain at 75%, be lowered, or not charged at all. • 56.2% of respondents felt that a long-term empty premium should not be linked to the period it is unoccupied. <p>When asked about both long-term empty properties and second homes, almost 49% felt they decrease the availability of affordable housing with only 3.4% suggesting they increase availability, and 52.7% indicated that if the premium was to increase, the number of second homes and long-term empty properties may reduce.</p> <p>The consultation results show limited public appetite for increases to the current premium rates for either second homes or long-term empty properties.</p>
1.06	<p>The previous public consultation conducted in November 2021 illustrated stronger public support for consideration in varying the premium rates with 50.4% advising they would like to see an increase in the premium at the time on second homes and 50.9% favoured an increase in a premium on long-term empty properties.</p> <p>There was also higher confidence in respondents to the previous consultation in 2021 that second homes and long-term empty properties contributed to a decline in availability of affordable housing with 55.3% indicating they reduced availability in 2021 compared to 49% in the 2024 consultation.</p>
1.07	<p>When considering any changes to the council tax premium scheme or the levels being charged, elected members must continue to have due regard to the Welsh Government guidance which says:</p> <p><i>“Any decision to vary or revoke a determination to apply a premium must be made before the beginning of the financial year to which it applies. Local authorities are also strongly encouraged to consult before deciding to increase a premium to a level above 100% and to do so at least 6 months before the beginning of the financial year to which the proposed premium increase relates. This will enable the premium to be considered when setting council tax levels for the forthcoming year and allow taxpayers sufficient time to consider the impact of a higher premium on their own personal financial circumstances and make choices regarding their property”.</i></p>
1.08	<p>When considering whether to amend the premium levels, elected members must also consider the discretion given to Local Authorities to charge a premium is intended to be a tool to help Local Authorities 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.

1.09 Following the consultation, if Cabinet and Council is inclined to vary the level of the premium, other key considerations should be based on local housing needs, including:

- 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.

1.10 In relation to long term empty properties, the regulations also allow Councils to charge different premium rates based on the length of time long term empty properties have been empty. This enables Councils to take a stepped approach, with incremental increases to the premium applying over time.

Several local authorities in Wales are now adopting this incremental approach where the charges increase over time. This enables Councils to target those properties that have been empty for an extended period, and in some case for many years. Implementing this approach can encourage owners to either sell or bring property back into full occupation.

For long term empty homes, the table below provides a summary of the number of properties subject to the premium and the length of time such properties have been empty and not in use:

Period of non-occupation	Number of LTE Dwellings
1-3 years	287
3-6 years	122
6-11 years	108
11-16 years	31
16-21 years	22
21-26 years	10
Over 26 years	15

The Revenues service has regular contact from residents who become liable for the premium charges and there are many reasons properties may remain unoccupied for an extended period. In many cases, the circumstances can be wide ranging and complex but typically include

	<p>financial constraints to make properties habitable, barriers and the financial practicalities of properties being designated with Listed Buildings status, or the works required not being economically viable for a return on the investment.</p> <p>Many properties that have been empty for extended periods of time include flats over shops where it may not be practical to let out or there may be complex access issues to comply with other regulations, properties with negative equity and properties that have complex legal matters ongoing regarding ownership following the death of the previous owner.</p>																
1.11	<p>Council Tax legislation provides for several exemptions from the charge, including time limited exemptions where a dwelling is unoccupied and substantially unfurnished (up to 6 months exemption) and dwellings undergoing major repairs (up to 12 months exemption). During the period of exemption, dwellings that are exempt from council tax are not liable for the premium.</p> <p>However, where a dwelling is no longer eligible for an exemption, but remains unoccupied, it may become liable for the premium.</p>																
1.12	<p>Additionally, a premium cannot be charged on a dwelling that falls with an exception class. The regulations set out the following exceptions from the premium. Some exceptions are time limited and as such some of these dwellings may proceed to being liable for the premium in the future.</p> <table border="1" data-bbox="365 1077 1342 2024"> <thead> <tr> <th data-bbox="368 1081 1114 1173">Exception Class</th> <th data-bbox="1114 1081 1339 1173">Number of exceptions</th> </tr> </thead> <tbody> <tr> <td data-bbox="368 1173 1114 1245">Class 1 – Properties being marketed for sale (time limited exception for a period of up to 12 months)</td> <td data-bbox="1114 1173 1339 1245">65</td> </tr> <tr> <td data-bbox="368 1245 1114 1317">Class 2 – Properties being marketed for let (time limited exception for a period of up to 12 months)</td> <td data-bbox="1114 1245 1339 1317">1</td> </tr> <tr> <td data-bbox="368 1317 1114 1386">Class 3 – Annexes forming part of, or being treated as part of the main property</td> <td data-bbox="1114 1317 1339 1386">2</td> </tr> <tr> <td data-bbox="368 1386 1114 1482">Class 4 – Properties which would be someone’s sole and main residence if they were not residing in Armed Forces accommodation</td> <td data-bbox="1114 1386 1339 1482">2</td> </tr> <tr> <td data-bbox="368 1482 1114 1619">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</td> <td data-bbox="1114 1482 1339 1619">0</td> </tr> <tr> <td data-bbox="368 1619 1114 1888">Class 6 - Where year-round occupation is prohibited by planning conditions preventing occupancy for <ul style="list-style-type: none"> • a continuous period of at least 28 days in any one year period; or • specifying that the dwelling may be used for short term holiday let only; or • preventing occupancy as a person’s sole or main residence </td> <td data-bbox="1114 1619 1339 1888">7</td> </tr> <tr> <td data-bbox="368 1888 1114 2020">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).</td> <td data-bbox="1114 1888 1339 2020">0</td> </tr> </tbody> </table>	Exception Class	Number of exceptions	Class 1 – Properties being marketed for sale (time limited exception for a period of up to 12 months)	65	Class 2 – Properties being marketed for let (time limited exception for a period of up to 12 months)	1	Class 3 – Annexes forming part of, or being treated as part of the main property	2	Class 4 – Properties which would be someone’s sole and main residence if they were not residing in Armed Forces accommodation	2	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	0	Class 6 - Where year-round occupation is prohibited by planning conditions preventing occupancy for <ul style="list-style-type: none"> • a continuous period of at least 28 days in any one year period; or • specifying that the dwelling may be used for short term holiday let only; or • preventing occupancy as a person’s sole or main residence 	7	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).	0
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1.13	<p>The Council was one of the first local authorities in Wales to introduce a council tax premium scheme in 2017, and 82% of local authorities in Wales now operate a premium scheme.</p> <p>Appendix 4 to this report sets out the council tax premium rates across Wales for 2024/25.</p> <p>In summary, and in respect of second homes:</p> <ul style="list-style-type: none"> • Four local authorities do not charge a second home premium. • Three charge a second home premium less than 100% • Twelve levy a 100% rate – the same rate charged in Flintshire. • Three local authorities charge a rate above 100%. <p>In respect of long-term empty homes:</p> <ul style="list-style-type: none"> • Four local authorities do not charge an LTE premium. • Two, including Flintshire, charge a premium less than 100%. • Sixteen charge a premium at 100% or above, and of these, nine levy a premium which is aligned to the length of time a property is left empty.
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2.00	RESOURCE IMPLICATIONS
2.01	<p>If County Council are inclined to increase the level of the premium on long term empty properties and/or second homes following the recent consultation, the uplift will be incorporated into the forthcoming Tax Base calculations for 2025/26.</p> <p>Also, the additional revenue generated may also help meet local housing needs, in line with the policy intentions of the premium scheme. For example, the funds could be used to help with a pressure bid for the empty homes scheme which is designed to bring houses back into use.</p>
2.02	<p>The premium scheme specifically provides additional total council tax income of around £1.21m per annum.</p>
2.03	<p>If the premium rates are increased, the total additional revenue generated to support services across the three precepts will depend on the revised rate levels.</p> <p>For long-term empty properties, and assuming the number of properties remains the same, this will consist of an additional £114.7k for every 10% increase above the current 75% level. In other words, if the rate was increased to 100%, the additional revenue will be £286.8k.</p> <p>For second homes, and assuming the number of properties remains the same, this will consist of an additional £35.4k for every 10% increase above the current 100% level.</p>

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	<p>Changing the council tax premium levels brings an increasing need to balance several risks. Firstly, minimising council tax levels and avoiding financial hardship for the owners of empty properties and second homes, especially those who might be genuinely trying to bring long term empty properties back into use. Secondly, the need to use the local taxation system to address the issue of housing shortages within communities and addressing the negative impact on communities that empty homes can bring.</p>
3.02	<p>Any change to premium rates will feed into the Tax Base calculations, and impact on the Councils revenue plans and must be considered in its budget setting and MFTS and therefore a decision at Council in September 2024 is required as any potential uplifts in the premium rates, must be reflected in the 2025/26 Tax Base which will be calculated in October 2024 and approved by Cabinet in November 2024.</p>
3.03	<p>The setting of the 2025/26 premium rates, which is included in the overall Tax Base, is integral to the revenue budget and council tax setting process and allows the Council, the Police & Crime Commissioners Office for North Wales, and the thirty-four Town and Community Councils to calculate their own precept requirements for 2025/26.</p>
3.04	<p>When taking strategic decisions, the Council also has a statutory duty to have due regard to the Equality Act 2010, the Welsh Language, and the Well Being of Future Generations (Wales) Act.</p> <p>An impact assessment has been undertaken using a decision support tool. It provides the decision makers with a high-level assessment of how decisions around the council tax premium scheme meets policy goals and the impact on residents. Appendix 5 and 6 sets out the outcome of the impact assessment.</p> <p>In relation to the wellbeing considerations, the continuation of the premium scheme is intended to help bring properties back into full use, the improve the availability of housing and to support the sustainability of local communities. The premium scheme will continue to positively contribute to the well-being objectives:</p> <ul style="list-style-type: none"> • Prosperous Wales – the premium scheme helps to incentivise owners to being properties back into full use, thereby helping to develop resilient and sustainable communities. • Resilient Wales – the premium scheme helps to incentivise owners to being properties back into full use, thereby helping to develop resilient and sustainable communities. • Healthier Wales – adequate provision and availability of housing is recognised as a key enabler to good health. • More equal Wales - the premium scheme is designed to ensure empty homes are brought back into use and enable 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** - 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** - 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 residents to have access to housing stock when they require to stay living local and contribute to the local culture of the area rather than migrating away.
- **Globally responsible Wales** - No impact

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 many of the respondents to the consultation.
Integration	Positive: There is a close alignment with Welsh government priorities of the refurbishment of empty properties into homes. One of the Councils key objectives is ‘Developing affordable and accessible housing’.
Collaboration	No change

Involvement	Positive: A full public consultation has been undertaken. The summary of the consultation is set out in Appendix 2 and 3 to this report.
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4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	To support the latest review, a public consultation was undertaken from April 2024 to July 2024. The feedback from this consultation is summarised in the body of the report and set out in full at appendices 2 and 3 .

5.00	APPENDICES
5.01	<ul style="list-style-type: none"> • Appendix 1 – Analysis of Long-Term Empty Properties and Second Homes • Appendix 2 - Results of the 12-week public consultation • Appendix 3 - Free Text Responses of the public consultation • Appendix 4 - Analysis of premium schemes and rates across Wales • Appendix 5 - Impact Assessment and Decision Support Tool • Appendix 6 – Impact Assessment Summary

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://www.gov.wales/council-tax-premiums-long-term-empty-and-second-homes-guidance-local-authorities-html • The Council Tax (Exceptions to Higher Amounts) (Wales) (Amendment) Regulations 2023

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: David Barnes, Revenues & Procurement Manager Telephone: 01352 704848 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 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, is substantially furnished and which could be periodically occupied.</p>