

Report

Cabinet

Part 1

Date: 15 November 2023

Subject Council Tax Premiums

Purpose For Cabinet to consider the options around charging premiums for long term empty properties and second homes and authorise a consultation process to gather public opinion on the matter.

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Ward All

Summary This report sets out the options for charging council tax premiums on long term empty properties and second homes. It sets out the context to the consideration, focussed on bringing more homes back into use when the city has a current shortage of properties and demand for accommodation is significantly outstripping availability of homes.

Proposal That Cabinet notes the contents of the report and agree that a public consultation on the introduction of council tax premiums is undertaken.

Action by Revenues & Benefits Manager / Head of Finance

Timetable This report was prepared after consultation with:

- Head of Law & Regulation
- Head of People Policy and Transformation
- Head of Housing

Signed

Background

Since the pandemic Newport has seen a 114 per cent rise in demand for temporary accommodation. In March 2023, there were over 450 households placed in temporary accommodation under the council's statutory housing duties. There are currently over 9,000 people on the Common Housing Register for social housing in the city. In 21/22 there were 686 new letting of social housing of which 302 went to homeless households.

As council we are committed to transforming our housing service to meet current pressures, improve outcomes for citizens and to ensure that homelessness becomes rare, brief and unrepeated in the city. To achieve this, we must increase the supply of good quality and affordable accommodation by making best use of all available housing stock, including empty properties. There are currently high number of empty properties that despite efforts to encourage owners to bring them back into use, remain empty, often for many years. There are also a small number of second homes in the city that are kept furnished and ready for use but are not used as anyone's sole or main residence.

There are currently 2,565 empty dwellings in the city, of which 1,440 are exempt from paying council tax. Of the remaining 1,125, many those, around 830 are considered to be long term empty properties, having been continuously vacant for a year or more. There are currently 15 second homes.

From April 2019, Newport City Council removed the discretionary 50% discount on empty homes and no reductions are available other than the statutory exemptions when a property first becomes empty and unfurnished.

In the case of empty properties, they are initially exempt for 6 months, or 12 months if major work is required. Following the expiration of the exemption period, council tax is charged at the full standard rate. If introduced, a premium would apply after a property has been empty and unfurnished for a period of at least 12 months which includes the exemption period.

The Housing (Wales) Act 2014 gives local authorities in Wales the discretion to a premium on top of the standard rate of council tax on long-term empty dwellings and second homes. Most Welsh councils have now adopted premiums and Newport City Council is one of only a handful of authorities yet to do so.

The Council can choose any percentage for the premium up to a maximum of 300% of the standard council tax. A premium of 100% effectively doubles the amount due, a premium of 300% would see four times the standard council tax being charged.

The intention of charging a premium is to encourage property owners to bring them back into use as soon as possible to avoid having to pay a premium. Should they remain unused the additional income raised from the premium can be used by the Council.

The Council can retain the full amount of council tax premium collected without its share of Revenue Support Grant (RSG) being adversely affected. Cabinet will be aware that if an individual Council's tax base increases by more than the 'average' across Wales, it loses RSG and premiums has the effect of increasing the Council's tax base. However, for the purposes of the distribution of RSG, Council Tax premiums are not included.

The Council is encouraged to use the additional funds for housing related expenditure, though this is not mandatory. Housing services costs have increased very significantly over the last 2-3 years as housing demand outstrips supply and the cost of short-term temporary placements is unrecoverable due to Housing Benefit Subsidy regulations. The Council invested £2.7m in housing budgets over the last 2 years and demand continues to exceed budget levels.

When can a premium be charged?

Both second home and long-term empty property premiums have to commence at the start of a financial year and require a Council resolution before being chargeable.

Second Homes

A premium can be charged on second homes once the Council has established that the property is kept furnished and is not occupied as anyone's sole of main residence.

The legislation states that a period of at least 12 months must elapse between the Council deciding to charge a second home premium and it coming into force.

The earliest that a second home premium could commence is therefore 1 April 2025.

Although Newport has low numbers of second homes, introducing a second home premium is necessary to consider and implement alongside any premium on empty homes to ensure a consistent approach in what are 'empty homes'.

Long Term Empty Properties

A premium in respect of a long-term empty dwelling can be charged once the property has been empty and unfurnished for at least 12 months. A dwelling that is exempt from council tax is not liable for a premium. If the council tax exemption is time limited and the dwelling remains unoccupied it will become liable for a premium after the exemption expires and it has been empty for a continuous period of 1 year.

Welsh Government does recommend that a first determination to apply a premium to long-term empty dwellings should be made at least 6 months before the beginning of the financial year to which the premium relates, however unlike with second homes this is advisory and not a mandatory requirement.

The Council must resolve to charge a long-term empty property premium in advance of setting its council tax. Provided this requirement is met a premium for long term empty dwellings could be charged from 1 April 2024 if that decision was taken in the Council's January 2024 meeting.

Circumstances where a premium cannot be charged

The legislation states that a dwelling will not be subject to a premium if it is in one of the following excepted categories:

Class of Dwelling	Definition	Application
Class 1	Dwellings being marketed for sale. Provides a 12-month exception from the date the property is marketed for sale or the start of the premium whichever is later.	Second homes & Long-Term Empty Properties
Class 2	Dwellings being marketed for let. Provides a 12-month exception from the date the property is advertised as available to let or the start of the premium whichever is later.	Second homes & Long-Term Empty Properties
Class 3	Annexes No time limit	Second homes & Long-Term Empty Properties
Class 4	Dwellings that would be someone's sole or main residence if they were not living in armed forces accommodation.	Second homes & Long-Term Empty Properties
Class 5	Occupied caravan pitches and boat moorings.	Second homes only
Class 6	Seasonal homes where year-round occupation is prohibited.	Second homes only
Class 7	Job related dwellings.	Second homes only

In addition to the above mandatory categories there is the option for the Council to specify as part of the charging resolution, any class of property where it does not want to charge a premium.

To avoid a high number of time-consuming appeals if there are categories that the Council knows from the outset that it doesn't want to charge a premium for; it would be sensible to specify these exceptions at the same time as the resolution to charge.

Options could include:

- Where a 12 month exemption for work required to make a property habitable has already been awarded and the property is sold to a new owner a premium would apply to the new owner immediately.
- The Council could decide that the new owner will not be liable to pay a premium for a further 3, 6 or 12 months. In the case of a long-term empty dwelling that is sold, the new owner could be excepted from the premium for a short period to allow time to move in, redecorate etc.
- Properties damaged by fire, flood or natural disaster; consideration could be given to excepting these properties for an additional period once the mandatory 12-month exemption expires in recognition of the time needed to bring them back into use.

Legislative Background

The Housing (Wales) Act 2014 (which amended the Local Government Finance Act 1992) gave local authorities in Wales the discretion to charge higher amounts (a premium) of up to 100% of the standard rate of council tax on long-term empty dwellings and dwellings occupied periodically (second homes) in their areas. From 1st April 2023, the maximum level at which local authorities can set council tax premiums has been increased to 300%.

Welsh Government has issued guidance on introducing premiums this can be found here:



WG Guidance
Council Tax on Emp

Financial Summary (Capital and Revenue)

There are no capital implications.

From a revenue perspective, the implementation of a premium will result in additional Council Tax being due, in line with the relevant level of premium adopted and the number of eligible properties. The level of premium due across all eligible properties will be reflected in the Council's annual tax base calculation. For example, should a premium of 100% be implemented, an eligible property would effectively be worth double the standard rate of Council Tax at the relevant banding. As a result, when setting the annual revenue budget for the year, the Council would budget for the additional Council Tax likely to be generated, less the appropriate allowance for non-collection.

It is important to note that Council Tax premiums are discounted from the tax base figure that features in the Welsh Government's annual Local Government Settlement calculation. Therefore, the introduction of a premium will not impact upon the level of Revenue Support Grant received by the local authority.

As well as the additional income that is generated, it will be necessary to consider the resources required within the Revenues team to administer the scheme. This cost is something that will need to be reflected as a pressure in the Council's Medium Term Financial Plan and will, in overall terms, reduce the level of additional income that can be budgeted for.

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Eligible properties are lower than the Council anticipated leading to lower income levels.	H	M	A survey of empty properties and targeted inspections will be undertaken in advance of premiums being introduced to refine the estimates for chargeable premiums.	Head of Finance
Collection rates of premiums are lower than budgeted.	M	M	Recovery action will be taken promptly and where necessary a charge to secure the council tax debt will be placed on the property.	Revenues & Benefits Manager.
Large volume of queries/appeals are received	H	H	Additional staff resources will be required to handle the additional correspondence and property inspections. Specifying NCC specific exceptions will reduce the number of potential appeals and protracted correspondence.	Revenues & Benefits Manager.

Links to Council Policies and Priorities

Addressing homelessness and increasing the availability of affordable housing is set out within the Council's Corporate Plan and the Housing and Communities Service Plan. This report provides proposals on how introducing Council Tax premiums could impact upon available premises and support Council financial management processes by bringing empty properties back into use.

One of the principles for delivery of our Corporate Plan is to be a listening council and for the views of communities, service users, and partners to shape the services we deliver, and the places people live in. Should cabinet progress with this proposal, a public consultation will be undertaken and will inform any decision making.

Options Available and Considered

This report provides a context to the consideration of introducing Council Tax premiums and the legislative and practical considerations. It seeks a consultation to be implemented on the matter for Cabinet's consideration and then, if agreed, to go to Council for decision.

At this point therefore, Cabinet could decide to not proceed with any consideration to introduce Council Tax premiums and not consult.

Looking ahead, should Cabinet decide to recommend to Council that council tax premiums are introduced, there are a range of options that need to be considered and recommended in the first instance:

- Whether to introduce premiums or leave things as they are.
- When to introduce premiums from.
- The level that the premium should be set to be effective.

Whether local exceptions are to be specified These will need consideration by full Council at that point.

Preferred Option and Why

That a public consultation exercise is undertaken with a further report to Cabinet once that has concluded; should Cabinet decide that premiums should be adopted, a report to Council will be prepared.

Comments of Chief Financial Officer

The financial summary sets out the key financial issues associated with this proposal. At this point, the report merely asks Cabinet for permission to engage residents via a survey. If a decision to implement was taken forward; the Council would need to consider at what level and from a budgeting viewpoint, consider how many of the long-term properties would be eligible to charge a premium. The Council has little intelligence on these properties and several other issues may reduce the number of actual properties subject to the premium especially in the first year or two. A reasonably prudent approach to this is therefore required.

Comments of Monitoring Officer

The Council has the power to raise the Council Tax charge on empty dwellings as set out in the report and the legal provisions and considerations relating to this are set out in the report and in the embedded guidance document produced by the Welsh Government.

Before implementing any change, the Council should ensure that an equality impact assessment has been carried out in accordance with the Equality Act 2010 and the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011; due regard will also need to be given to the provisions of the Well-Being of Future Generations (Wales) Act 2015. The Council must ensure that the outcome of such assessment together with the responses to the proposed consultation are taken into account and all points of view arising therefrom are considered in making any final decision on the matter. As is identified in the report, any decision to implement a change to Council Tax charges must be taken by full Council.

Comments of Head of People, Policy and Transformation

The report gives Cabinet the opportunity to consider the options around charging council tax premiums for long term empty properties and second homes, whilst seeking authorisation to undertake a consultation to gather the views of the public.

An FEIA has yet to be carried out but if authorisation is granted, then a public consultation would support the assessment alongside consideration of the Well-being of Future Generations (Wales) Act 2015 and the five ways of working, to meet both short-term and long-term housing needs. There are currently no direct HR implications associated with this report.

Scrutiny Committees

None

Fairness and Equality Impact Assessment:

- **Wellbeing of Future Generation (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

The Well-being of Future Generations (Wales) Act seeks to improve the social, economic environmental and cultural well-being of Wales. Public bodies should ensure that decisions consider the impact they could have on people living in Wales in the future. The Council has always sought to engage with residents before taking any decision which may impact upon the delivery of any public service in accordance with the principles of fairness and legitimate expectation. The sustainable development principle and 5 ways of working set out in the Wellbeing of Future Generations Act have been considered as outlined below:-

- **Long term:** the importance of balancing short- term needs with the need to safeguard the ability to also meet long-term needs: The consultation exercise that is proposed will look to gather opinion on the use of premiums as a way to encourage more dwellings to be brought back into use, and increase the long term supply of available housing within the city.

- **Prevention:** How acting to prevent problems occurring or getting worse may help us meet our objectives. If more homes are made available as a result of the introduction of premiums it will help reduce reliance on temporary and emergency housing.

- **Integration:** Consider how the proposals will impact on our wellbeing objectives, our wellbeing goals, other objectives, or those of other public bodies. This proposal supports the following wellbeing objectives:

To improve skills, education and employment opportunities – insecure housing leads to adverse outcomes for the education of children and maintaining employment, the provision of stable quality affordable housing is required to ensure that education and employment opportunities are not diminished.

To enable people to be healthy, independent and resilient – to achieve this people require safe, secure and accessible housing, by considering introducing council tax premiums the Council is demonstrating it's commitment to using all available options to increase housing across the city.

To build cohesive and sustainable communities – cohesive communities are those that have secure stable housing enabling residents to put down roots and feel part of the local community, by considering introducing council tax premiums the Council is therefore demonstrating it's commitment building cohesive and sustainable communities.

- **Collaboration:** Acting in collaboration with any other person (or different parts of NCC) that could help us meet our well-being objectives. Should council tax premiums be introduced the Revenues Team will be working closely with the empty homes team to identify properties where a premium may be applicable and also to offer solutions to the owners who may require assistance in bringing their properties into a useable condition.

- **Involvement:** The importance of involving people with an interest in achieving the wellbeing goals and ensuring that those people reflect the diversity of the city we serve. The Council will engage with the local community related to the proposal by way of a public consultation.

A Fairness and Equality Impact Assessment has not been carried out at this stage, should Cabinet decide that following the consultation process the matter will proceed to Council a full Fairness and Equality Impact Assessment will be undertaken.

Consultation

This report seeks approval to undertake a public consultation, once concluded the results of which will be reported to Cabinet.

Background Papers

None

Dated: 3 November 2023