

Report

Cabinet



Part 1

Date: 12 September 2016

Item No: Insert item number here

Subject **Housing (Wales) Act 2014: Council Tax Premiums: Long-Term Empty Dwellings**

Purpose The purpose of the report is to seek Cabinet approval of the general principles regarding the introduction of Council Tax Premiums from 1 April 2017, before commencing consultation with the public and stakeholders.

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Summary The Housing (Wales) Act 2014 empowers Councils to introduce discretionary council tax premiums in respect of certain long-term empty dwellings. By a resolution of Council, billing authorities may dis-apply the statutory 50% discount on vacant dwellings that are not exempt and then impose a premium of up to a 100% of the standard rate of council tax, thereby charging up to 200%. The first time that the premiums may take effect is 1 April 2017. The discretion has been allowed with the intention of providing a tool to assist with bringing empty homes back into use; increasing the supply of affordable housing; and enhancing the sustainability of local communities. Councils will be able to retain additional funds raised from the premiums, and are encouraged by the Welsh Government to use it to help meet local housing needs.

The Council's Local Housing Strategy 2012-17 sets out its priorities for action on housing-related services over a five-year period. It is informed by a detailed assessment of the local housing market, following guidelines and methodology laid down by the Welsh Government and used by local authorities throughout Wales. The current Local Housing Market Assessment, updated in 2015, finds that each year Newport is likely to have a shortfall of around 900 affordable homes. While not all empty homes would necessarily be affordable for people in housing need it is important that, given the current pressures on housing, there is good use of the existing housing stock. The longer a home is empty, the more likely it is to suffer the deterioration that will become a real obstacle to its re-occupation. While there are surely no owners who want their property to remain empty indefinitely, it is far easier than most people envisage for an empty home to slip into long-term disuse.

The Welsh Government guidance on this matter recommends that Councils should engage and consult with stakeholders, including the local electorate, before taking a decision regarding the charging of premiums. It must also carry out equality impact assessments under the Equality Act 2010 and the Welsh Public Sector Equality Duties 2011.

Proposal It is proposed that the general principles set out in this report - that council tax premiums on long-term empty dwellings be implemented from 1 April 2017, as in Option 2(a) (for such dwellings that have been empty for a period of at least 2 years) - be put to public and stakeholder consultation and the results, along with the appropriate equality impact assessments, reported back to Cabinet with a view to making a recommendation to Council.

Action by Head of Finance and Head of Regeneration, Investment and Housing

Timetable Immediate

This report was prepared after consultation with:

- Leader of the Council
- Cabinet Member for Adult Social Services and Housing
- Head of Law and Regulation

Signed

Background

1. The Housing (Wales) Act 2014 makes provision for various local authority housing functions, including at Part 7 the empowerment for Councils to introduce council tax premiums for certain long-term empty dwellings. The 2014 legislation amends the Local Government Finance Act 1992 (LGFA) in respect of statutory council tax discounts for vacant dwellings that are not exempt. The amendment is contained in housing legislation with the specific intention of providing local authorities with an additional tool to tackle empty dwellings, with a view to encouraging owners to bring properties back into use for sale or rent to increase local housing supply.
2. Councils will be able to retain the additional revenue generated by the premiums for their own purposes, although the Welsh Government is currently consulting on Tax Base and Revenue Support Grant implications. (The implementation of premiums necessarily entails the dis-application of the 50% discount currently allowed for long-term empty dwellings and that at least does have implications for the Tax Base calculations).
3. The Housing (Wales) Act 2014 also provides for council tax premiums to be charged on second homes. These are dwellings that are no-one's sole or main residence but are substantially furnished. There are currently 19 such dwellings recorded for council tax purposes and because second homes are not an issue in Newport it is not proposed to take any action on this part of the provisions to charge premiums. These second homes are subject to 100% council tax charges, the Council having resolved in 2002 to dis-apply the statutory 50% discount normally allowable on furnished dwellings that have no residents.

Current Council Tax Exemptions and Discounts for Vacant Dwellings

4. When a dwelling is vacant (substantially unfurnished and no-one's sole or main residence), a number of statutory exemptions from council tax apply. The full range is shown at Appendix 1, but the most common classes are:
 - dwellings that require or are undergoing structural repairs or major works to make them habitable (Class A: up to 12 months exemption);
 - vacant for less than 6 months (Class C: up to six months exemption);
 - where the liable person has their sole or main residence in a nursing home, hospital, or hostel (Class E: no time limit);
 - where the liable person is deceased and no grant or probate or letters of administration have been made (Class F: no time limit), or less than 6 months have elapsed since such a grant was made (Class F: up to 6 months after probate, etc.);
 - where a mortgage lender is in possession (Class L: no time limit).

Council tax premiums may not take effect during the periods when any of the statutory exemptions apply.

5. When a vacant dwelling ceases to be exempt because a maximum period has expired, the current position is that Section 11(2)(a) of the LGFA provides for a charge to be applied at a 50% discounted rate.

Provisions for Council Tax Premiums to be Charged

6. Section 139 of the Housing (Wales) Act 2014 inserts a new section 12A in the LGFA. For any financial year, a billing authority may by determination provide that if a dwelling is a long-term empty dwelling:
 - (a) the discount under section 11(2)(a) (referred to in point 5 above) does not apply, and
 - (b) the amount of council tax payable is increased by up to 100%, as may be specified in the determination.

A determination must be made before the beginning of the financial year to which it applies and published in at least one newspaper circulating in the Council's area within 21 days. The Council can then make, vary or revoke a determination for subsequent financial years, but only before the beginning of the relevant year.

7. In operation, this means that once a dwelling is classed as long-term empty the current 50% discount is dis-applied, bringing the council tax to the standard 100% level. A premium of up to a further 100% may then be added, bringing the maximum charge to 200%. At the 2016/17 Band D annual charge of £1,194.67, a long-term empty dwelling would currently receive a discount of 50%, leaving £597.34 to pay. A determination to apply a maximum 100% premium would result in an un-discounted council tax charge of £1,194.67 to which a maximum 100% premium could be applied, making a total of £2,389.34 to pay, an increase of £1,792.00.

What Constitutes a Long-Term Empty Dwelling?

8. Section 12A (11) of the LGFA defines a 'long-term empty dwelling' as a one that has been unoccupied and substantially unfurnished for a continuous period of at least 1 year. This definition is effective from 1 April 2016, so 1 April 2017 is the first date from which premiums may be charged.
9. The occupation or furnishing of a dwelling for one or more periods of six weeks or less during the year will not affect its status as a long-term empty dwelling. So, a dwelling's long-term empty status may not be changed by taking up residence or installing furniture for short periods.

Exceptions to Council Tax Premiums on Long-Term Empty Dwellings

10. The amendments to the LGFA provide for Welsh Ministers to prescribe classes of long-term empty dwellings on which premiums may not be charged – 'exceptions' to the premiums. The exceptions that have been prescribed in the Council Tax (Exceptions to Higher Amounts) (Wales) Regulations 2015 are:
 - Class 1:** dwellings being marketed for sale on the market at a reasonable price, including where an offer has been accepted, but not yet completed: time limited to 1 year after the premium would otherwise have taken effect;
 - Class 2:** dwellings being marketed for let at a reasonable rent, including where an offer to rent has been accepted, but the tenancy has not yet started: time limited to 1 year after the premium would otherwise have taken effect;
 - Class 3:** annexes forming part of, or being treated as part of, the main dwelling;
 - Class 4:** a dwelling that would be someone's sole or main residence, but it is unoccupied because that person resides in armed forces accommodation.

Other Council Tax Considerations

11. Taxpayers may appeal against their liability for a premium, in the same manner as appeals are lodged against other liability issues. However, the Welsh Government has specified clear rules regarding the types of dwellings that may be exceptions to the premiums, as noted above, so collection of the sums due will be subject to the normal administration and enforcement processes.

Factors to Consider in Making a Determination to Apply Premiums

12. Bearing in mind that the discretion to charge premiums has been given the local authorities with the intention of assisting in bringing homes back into use and supporting sustainable communities, the Welsh Government has issued guidance on the factors that could help inform Councils in making a determination. These are listed below, with comments:

a) Numbers and percentages of long-term empty homes or second homes in the area

As at 1 May 2016, there were 66,134 dwellings on the Council Tax Valuation List. 2,516 (3.8%) were recorded as vacant. Of this figure, 1,412 were exempt. Of the remaining 1,104 dwellings, 755 (30.0% of the vacant dwellings and 1.1% of the total number of dwellings) had been vacant for more than twelve months.

Premiums could potentially be applied to the council tax charges for the 755 dwellings referred to above, subject to the exceptions noted at paragraph 10. For the purposes of estimating income, this figure is representative of the number of long-term empty dwellings that exist at any date in the year. However, it is not known how many would be exceptions from the premiums because they are for sale or for let. The experience of empty homes enquiries suggests that few dwellings do fall into the excepted categories, once they have been vacant for more than 12 months, but to avoid over-estimating income from premiums a reduction of 10% should be applied to allow for such circumstances.

b) 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

The Local Housing Market Assessment for Newport groups wards into 6 sub-market areas:

- Inner core, low value
- Inner core, high value
- Outer area, low value
- Outer area, high value
- Central
- Rural hinterland

There is no simple cause-and-effect between the number of empty homes in an area and the average property price but there is a correlation because when values are low:

- there is less incentive for owners to sell so they may leave properties empty hoping for an upturn in the market;
- owners have lower equity to finance improvements so properties are more likely to fall into disrepair;
- potential rental income is also low, so there is less incentive to let;
- there is likely to be a high proportion of HMO's and flat conversions because investors can buy older, larger properties at relatively low prices;
- a high proportion of private rented accommodation can mean a higher turnover of residents and a less stable community.

The table below, taken from the Local Housing Market Assessment 2015-2020, shows average property prices by sub-market area and ward (data from Hometrack, January 2015) with the level of long-term empty homes at the time of the Assessment.

Average property price	Market area	Ward	No. of long-term empties	% of long-term empties
*£155,667	Inner core LV	Pillgwenlly	80	12.3%
£110,570	Inner core LV	Victoria	75	11.5%
£198,247	Inner core HV	Allt-yr-Yn	61	9.4%
£141,667	Inner core HV	Stow Hill	59	9.0%
£127,841	Central	St. Julians	54	8.3%
£118,208	Central	Liswerry	49	7.5%
£142,568	Outer area LV	Alway	33	5.1%
£189,505	Outer area HV	Caerleon	33	5.1%
£132,990	Outer area LV	Beechwood	28	4.3%
£123,007	Central	Gaer	26	4.0%
£255,655	Rural hinterland	Marshfield	22	3.4%
£289,488	Rural hinterland	Langstone	21	3.2%
£194,425	Outer area HV	Rogerstone	20	3.1%
£102,083	Central	Shaftesbury	17	2.6%
£218,184	Rural hinterland	Graig	16	2.5%
£128,690	Outer area LV	Ringland	16	2.5%
£135,460	Outer are LV	Malpas	15	2.3%
£124,073	Outer area LV	Bettws	13	2.0%
£164,442	Rural hinterland	Llanwern	10	1.5%
£128,211	Rural hinterland	Tredegar Park	4	0.6%

* Pillgwenlly's average property price was the lowest, at £97,100, prior to the development of over 500 new homes within the ward, at Mon Bank

Clearly, property prices will always vary between areas but, where they are low, areas will be vulnerable to the combined impact of the kind of factors outlined above. In addition, where individual empty homes have a visual impact on the street scene, particularly where they are the focus for anti-social behaviour, they will have a direct impact on the resale value of adjacent properties. In Autumn 2015 the charity Empty Homes published a report, 'Empty Homes in England'. The report concluded that, in England, there are higher percentages of long-term empty homes recorded in local authorities with lower house prices and that, if data were analysed at neighbourhood level, a stronger link would be seen. The data above demonstrates that analysis for the Newport area. A council tax premium on empty homes would go some way towards addressing this, by acting as a disincentive to those who might otherwise fail to put their property to use within a reasonable period of time.

c) Potential impact on local economies and the tourism industry

Newport's Single Integrated Plan 2013-2016, 'Feeling Good About Newport', notes that in the City area 'neighbourhoods with some of the country's highest levels of social deprivation sit next to some of those with the greatest affluence.' The document calls for a focus on

narrowing this gap. A House of Commons briefing paper, 'Empty Housing (England)', published in May 2016, acknowledged that 'high levels of empty properties are recognised as having a serious impact on the viability of communities'. Older areas of the city like Stow Hill and Pillgwenlly, where low property values combine with high numbers of empty dwellings, are also the areas with a long and rich local history, where key historical buildings are located. Newport has played a significant role on the world stage and has a history which is of international interest, and can make an important contribution to the city's future, provided that local economies and neighbourhoods are not left to decline.

d) Patterns of demand for, and availability of, affordable homes

A local housing authority has a statutory duty to produce and maintain an up to date Local Housing Market Assessment (LHMA) for its area. The LHMA is a crucial evidence base for the Local Housing Strategy and the Local Development Plan.

Newport's Local Housing Market Assessment for 2015-2020 finds that there is an annual net housing need of around 1,000 homes, which falls to 925 when adjusted for the turnover of different property types. Newport City Council holds a common housing register of all those households seeking affordable housing in the area, of whatever tenure. As of April 2016, there were 6,155 households with active applications on the register. Analysis of applicants' preferred areas and of properties offered through the Common Housing Register shows that there are few affordable housing opportunities in the areas where people would prefer to live, but there are empty homes in those areas:

Area requested	Number of homes empty for at least 12 months at April 2016 with 50% council tax discount	Ward	% of applicants on the Housing Register who chose this area (May 2016)
Beechwood	41	Victoria	41%
Gaer	40	Beechwood	21%
Chepstow Road	46	Chepstow Road	21%
Maindee	98	Maindee	20%
St Julians	72	Gaer	19%

e) Potential impact on local public services

The existence of large numbers of long-term empty dwellings is a drain on the Council's resources, for example, in dealing with complaints and carrying out emergency repairs in default (when owners fail to maintain them properly). The council tax premiums could provide funds for assistance in dealing with these issues, and, if the overall aim of bringing properties back into use is achieved, the burden on the public purse would be reduced.

f) Potential impact on the local community

In some areas, there is a combination of older housing in relatively poor condition, low property values and low demand for some property types, so there is little incentive for owners to invest in their properties. When there are high numbers of empty properties in an area, it can have a detrimental effect on the local community through falling trade for local shops and businesses, visible deterioration of the built environment, an increase in anti-social behaviour, which means that people in the local community feel less safe.

Introduction of council tax premiums would ensure that leaving a property empty is not a low-cost option for owners, while the local community suffers the effects.

g) Other measures that are available to authorities to increase housing supply

The Local Development Plan for Newport 2011-2026, adopted in January 2015, aims to ensure that there is an adequate and continuing supply of land to meet future housing needs. The measures available to the council to increase the supply of affordable housing include:

- provision through Social Housing Grant;
- planning gains through section 106 agreements;
- self-funded Registered Social Landlord housing schemes;
- regeneration initiatives with a housing element, such as Vibrant & Viable Places.

h) Other measures that are available to authorities to help bring empty properties back into use

In 2012, the Welsh Government launched its 'Houses into Homes' loan scheme, offering interest-free loans to the owners of empty properties, to help them return empty dwellings to occupation or convert non-residential premises into homes. The Gwent region was allocated a total of £3,545,524 which is allocated on a first come, first served, basis and can offer a loan of up to £25,000 per property, provided there is sufficient equity. To date, the scheme has brought around £1,000,000 of funding into Newport for the rehabilitation of empty properties.

Where applicable, local authorities can take the following kinds of enforcement action to help bring empty homes back into use:

- Empty Dwelling Management Orders (EDMO's), under the Housing Act 2004;
- exercise the power of sale to recover statutory charges, under the Law of Property Act, 1925;
- apply for a court judgement ordering the sale of a particular property to recover unpaid charges e.g. council tax;
- apply for an individual Compulsory Purchase Order.

However, all of the above are significant interventions which are resource-intensive and take a considerable time to achieve so they will always be a last resort, to be used in specific individual cases, rather than a solution for numbers of empty homes. Unlike these, the council tax premium offers an opportunity to adopt a measure that will discourage empty homes across the board before they become a problem that requires the kind of enforcement action outlined above.

Reasons for Implementing Council Tax Premiums

13. Taking into account all of the factors in sections 12(a)-(h) above, it is considered that the adoption of premiums would be of significant assistance as a tool in Housing Strategy. There would be three main aims in implementing the premiums:

- to encourage owners of long-term empty dwellings to bring them back into use by increasing the costs of leaving them unoccupied;
- to provide funds to assist the Council in implementing its Housing Strategy in respect of empty homes;
- eventually to ease the burden on the Council's resources by reducing the number of 'long-term empty dwellings';
- to aim to increase the supply of affordable housing in the city area.

Newport has a disproportionately high number of empty private homes. It has 25% of all the private housing in Gwent but, in 2014/15, it had 34% of the region's empty private housing. Compared to Cardiff, Newport had less than half the overall number of private homes but almost as many empty private homes. Therefore, there is good reason to be concerned about the possible impact of empty homes in Newport. The Council adopted a five-year Empty Homes Strategy in 2010 and, while the number of empty homes across Gwent rose by almost 18% from April 2011, in Newport the rise has been lower, at 11.5%. Nevertheless, there are over 50 houses which have been empty for more than 10 years and another 91 that have been empty for more than 5 years, which current policy and practice have not been able to bring back into use.

It is important to recognise that there is only a small range of possible interventions, outlined in 12(h) above, open to the local authority and, in some cases, none of these can be used. Moreover, with the Council's resources becoming increasingly limited, it may be timely to ask that owners bring their property into use within a reasonable period of time or pay the higher council tax rate to reflect the additional strain that empty homes can place on the community, and on public services, and their overall impact on the city. Public consultation and, if the premium is applied, notification to owners and general promotion of public awareness is likely to prompt a number of owners who are not currently taking effective steps to return their properties to use, to start taking those steps. Thereafter, the premium would surely discourage owners from seeing it as a viable option to leave properties empty for long periods.

A further consideration is that, should other authorities implement the council tax premium for empty homes before Newport has done so, the city would be more at risk of attracting those investors or would-be developers who see 'bricks and mortar' as a safe investment without necessarily intending to use the property, simply waiting until it suits them to sell. While it is difficult to quantify, this is undoubtedly a factor in the issue of empty homes, particularly at the lower end of the property market. Genuine developers should not be deterred by the premium as they will want to go ahead with their development as quickly as possible and will have the resources to do so. The Houses into Homes loan scheme can also offer loans for the redevelopment of homes to sell or let, where there is sufficient clear equity in the property.

It has been stated that *'Empty homes are an affront to people who cannot get a foothold on the housing ladder'*¹. At a time when it has become so much more difficult to obtain a mortgage, with growing demand for decent private rented homes, this is more the case than ever.

Options for the level of Premiums

14. In considering the options, it is useful to know why homes are left empty. In terms of empty dwellings that are not exempt (that is, those currently paying a 50% council tax charge), the more commonly encountered situations are:

- the property needs renovation or improvement and the owner does not have the time/knowledge/money to carry out the work;
- the owner is emotionally attached to the property and finds it difficult to clear out personal effects, or to make a decision about future plans;
- the owner has died intestate and no-one has applied for probate or taken responsibility for administering the late owner's estate.

¹ Baroness Andrews, 'Foreword, A Cure for Empty Homes,' Improvement & Development Agency, 2006

In many cases, there are other factors contributing to these barriers, such as a family dispute, relationship breakdown, illness or bereavement. Resolving these issues can be a lengthy process, even where the owner is committed to doing so. Where the property needs investment to make it habitable, the owner could apply for a loan under the Council's Houses into Homes scheme, but not all properties qualify as there must be at least 20% unencumbered equity to secure the loan. Few owners wilfully leave properties empty indefinitely but it can take them some time to realise that they must change their plans, consider other options, and make the necessary arrangements.

15. The maximum percentage premium is 100%, which would result in the owner of a long-term empty dwelling receiving a total council tax bill of 200%. The maximum premium may be applied as soon as the dwelling falls into the 'long-term empty' category, but Section 12A (2) of the LGFA permits different percentages to be applied incrementally for different time periods. However, generally, council tax is intended to be a straightforward tax, cost effective to administer and collect and easily understood by taxpayers. Therefore, an incremental approach may not be the best. The more straightforward approach would be to continue the current 50% discount and apply the full premium after a certain period. Although the new legislation allows the Council to apply the premium after 12 months, it may wish to allow a longer period in order to recognise the difficulties, outlined above, which owners can face. This would enable owners to cope better with the expenses of bringing properties back into use. However, once this period has expired, there would be no discount and the full premium would become payable. This would send a clear message that the Council wishes to discourage the practice of allowing properties to fall into long-term disuse but owners would have a period in which to address any personal, legal or financial issues preventing the re-occupation of the property. This approach is set out at Option 2 below.

16. The options are:

Option 1

Take no action, retain the 50% discount for empty dwellings and do not apply any premium.

Option 2

Continue to allow the 50% discount when a property is empty but end this, and also apply the 100% premium (resulting in a 200% council tax charge), after the property, as at 1 April 2017, has been empty for at least:

- a) 2 years (470 dwellings affected) or
- b) 3 years (322 dwellings affected) or
- c) 4 years (256 dwellings affected) or
- d) 5 years (178 dwellings affected)

Effect of Charging Premiums

17. In England, local authorities were permitted to charge a 50% council tax premium on long-term empty homes (more than 2 years empty) from April 2013 and many have done so. In terms of the impact on empty homes, officers have reported a number of effects, both positive and negative:

- a spate of 're-occupation' as owners claim that properties are now lived in, in order to avoid the premium;
- in some areas, an immediate reduction in the *number* of empty homes due to owners claiming they are no longer empty;
- increased contact from owners contacting the council to keep them informed of their circumstances and enquire about information, advice or assistance;

- owners making quicker progress on refurbishment projects;
- complaints from owners about the introduction of the premium;
- collection of the premium can be difficult and require active debt management over and above current volumes.

18. The Welsh Government's guidance to local authorities on implementation of the premium for empty homes says that 'authorities are encouraged to use any additional revenue generated to help meet local housing needs, in line with the policy intentions of the premiums.' As the re-use of empty homes can help to meet local housing need, and implementation of the premium is a potentially important tool in encouraging the re-use of empty homes, it is proposed that the extra revenue collected from the premium only should be used as a resource fund to support implementation of the premium. The additional revenue is not fixed and depends upon the number of homes subject to the premium and on the successful collection of the additional sums. Therefore, it could be used to fund additional costs, such as investigation or legal costs, over and above the usual budget constraints.
19. Caution should be exercised regarding the expectation of additional income from premiums. If the policy intention of encouraging owners to bring dwellings back into use is successful then income would reduce. In terms of resources, it is not recommended that additional staff be funded from that income, since this may not be sustainable beyond the short term. Investigation and legal costs would therefore be incurred on an ad-hoc basis.

Tax Base and Income Collection Considerations

20. The application of a premium entails the dis-application of the 50% discount currently allowable when a dwelling ceases to be exempt. This has implications for the Tax Base calculations carried out each November to determine council tax levels for the forthcoming financial year. The removal of the discount creates additional council tax to be collected, rather than premiums. This must be allowed for in the calculation of tax raising capacity and, based on the calculations for the 2016/17 Tax Base, the disapplication of discounts for the 755 dwellings referred to in 12(a) above would have increased the number of Band D equivalent dwellings by around 360. There may be implications for the Council's Revenue Support Grant, and the effect will be considered in conjunction with the details of a technical consultation currently being conducted by the Welsh Government on premiums and the tax base, and reported back to Cabinet along with the results of the public consultation.
21. In terms of the income from the premium element, informal information from the Welsh Government indicates that this will be excluded from Tax Base calculations, since it may be earmarked for particular use in bringing dwellings back into use. However, this will be confirmed in the next report.
22. An analysis of potential annual income from the disapplication of the 50% discount and the application of premiums has been done on the dwellings currently classed as long-term empty, as at 1 May 2016, based on 2016/17 council tax charges. This is related to the options outlined in 17 above. It must be noted that the figures are maximums, and will be significantly reduced, should large numbers of dwellings be brought back into use.

Option 2(a)

Discontinue the 50% discount for long-term empty dwellings and charge a premium of 100% after a period of 2 years (as at 1 April 2017) being unoccupied and substantially unfurnished, provided they are not excepted from the premium. (470 dwellings affected).

Base Revenue @ 50% discounted Council Tax (current situation) (£)	Additional Council Tax raised from cancellation of 50% discount (£)	Additional income raised by applying a premium of 100% (£)
265,178	265,178	530,357

Reduce premium income by 10% to allow for excepted dwellings – **£477,321**

Option 2(b)

Discontinue the 50% discount for long-term empty dwellings and charge a premium of 100% after a period of 3 years (as at 1 April 2017) being unoccupied and substantially unfurnished, provided they are not excepted from the premium. (322 dwellings affected).

Base Revenue @ 50% discounted Council Tax (current situation) (£)	Additional Council Tax raised from cancellation of 50% discount (£)	Additional income raised by applying a premium of 100% (£)
175,843	175,843	351,686

Reduce premium income by 10% to allow for excepted dwellings – **£316,517**

Option 2(c)

Discontinue the 50% discount for long-term empty dwellings and charge a premium of 100% after a period of 4 years (as at 1 April 2017) being unoccupied and substantially unfurnished, provided they are not excepted from the premium. (256 dwellings affected).

Base Revenue @ 50% discounted Council Tax (current situation) (£)	Additional Council Tax raised from cancellation of 50% discount (£)	Additional income raised by applying a premium of 100% (£)
138,038	138,038	276,077

Reduce premium income by 10% to allow for excepted dwellings – **£248,469**

Option 2(d)

Discontinue the 50% discount for long-term empty dwellings and charge a premium of 100% after a period of 5 years (as at 1 April 2017) being unoccupied and substantially unfurnished, provided they are not excepted from the premium. (178 dwellings affected).

Base Revenue @ 50% discounted Council Tax (current situation) (£)	Additional Council Tax raised from cancellation of 50% discount (£)	Additional income raised by applying a premium of 100% (£)
97,313	97,313	194,626

Reduce premium income by 10% to allow for excepted dwellings – **£175,163**

23. In terms of accounting for the additional income, it is proposed to set a 'Net Nil' budget within the Council's accounts. This means that as funds from premiums are collected they will be allocated against particular housing regeneration activities, offset by administrative, monitoring and enforcement costs. This is to avoid the risk of a anticipating a source of income which may then reduce, as dwellings are brought back into use and the premiums cease to apply, which, ultimately, is the intention of this initiative.

Workload and Staffing (Regeneration, Investment & Housing (RIH) and Finance service areas)

24. The Housing Strategy & Development team in RIH is responsible for the Empty Homes Strategy. Current practice is to write to owners after 2 years, sending a questionnaire and information leaflet, followed by casework such as tracing owners and, where necessary, working with other statutory services to address the problems caused by empty homes. In 2015, there was also a mass mailshot to those owners whose properties had been empty for 6–18 months. If the Council decides to apply an empty homes premium, we would in future need to write to owners on a rolling basis to make them aware that they will be liable for the premium if the property continues to be empty after the deadline.
25. In RIH, there would be an increased administrative requirement for writing to owners and, depending on the response rate, updating records and sending out information. There could also be increased demand for advice about empty homes loans, and more loan applications, generating an increased workload for the housing team. However, some of the follow-up work that has, to date, been undertaken within the housing team could be outsourced to enquiry agents, as outlined at 18 above, paid for by the extra revenue. Some very long-term and problematic empty homes are a recurring cost to council resources across several services, usually Housing, Planning, and Environmental Health. In these cases, it would be sensible to consider using any extra revenue from council tax premiums to buy in expertise on a case by case basis, where this could lead to a resolution through negotiation or enforcement. This would bring housing back into use, improve the neighbourhood for residents and reduce the burden on council services.
26. In Finance, the issues will revolve around owners of empty dwellings claiming that they are occupied and therefore should not be subject to the premiums. There are no resources internally for property inspections to be carried out, so it is likely that the Council's enforcement agents (who currently carry out routine vacant dwelling inspections at no charge) would have to be approached to carry out detailed inspections on a fee basis. Alternatively, the engagement of short-term agency hire staff could be considered, along with the selective use of overtime. Income from premiums could be used to fund these activities.

27. More generally, there is likely to be an increase in debt recovery for non-payment. This will be handled as part of the statutory processes for council tax debt recovery, including referrals to enforcement agents.

28. The Welsh Government Guidance note indicates that further advice will be provided to assist with administration and enforcement of the premiums, particularly in respect of excepted dwellings, such as those being marketed for sale or let. As part of the report back to Cabinet following public consultation further consideration will be given to resources required, in the light of such guidance.

Monitoring and Reporting

29. The Welsh Government will require local authorities to make information on the premiums available to local taxpayers and will be issuing guidance on monitoring and reporting procedures. This is likely to include:

- the number of properties liable for premiums;
- the additional income raised from implementing the premiums;
- how additional income has been used;
- the number of empty homes which have been brought back into use.

Financial Summary

This table cannot be completed until the Welsh Government’s technical consultation has taken place.

	Year 1 (Current) £	Year 2 £	Year 3 £	Ongoing £	Notes including budgets heads affected
Costs (Income)					
Net Costs (Savings)					
Net Impact on Budget					

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?
Anticipated income from premiums will be less than expected.	M	M	An income target will not be formally set within the Accounts. Funds will be allocated for regeneration use as they are collected.	Head of Finance
Taxpayers will resist paying the premiums.	M	M	Use statutory enforcement procedures, as for council tax generally.	Head of Finance
Information on potential avoidance may be difficult to obtain.	M	M	Consider further guidance to be issued by the Welsh Government; use income from premiums to carry out reasonable investigations.	Head of Finance and Head of RIH

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

Corporate Plan 2012-17
Local Housing Strategy 2012-17
Local Development Plan 2011-26
Single Integrated Plan 2013-16
Newport 2020

Options Available

The options available, prior to consulting with the public and stakeholders, are:

Option 1 – no action. The Council is under no obligation to apply premiums; the decision to do so is discretionary, so the option is available to take no action.

Option 2 – continue to allow the 50% discount allowed when a property is empty but end this, and also apply the 100% premium after the property, as at 1 April 2017, has been empty for at least:

- (a) 2 years or
- (b) 3 years or
- (c) 4 years or
- (d) 5 years

Preferred Option and Why

Option 2(a) is preferred. As outlined above, Newport suffers from a comparatively high level of empty homes, which are a concern for local residents, and a shortage of housing. Adoption of the council tax premium has the potential to reduce the problems associated with empty homes, support the housing supply, and provide extra revenue to help meet housing need. The continuation of the 50% council tax discount currently allowed, up to the expiry of the minimum 2 year empty period, would provide some financial relief to owners for a limited time after which, if there had been no change, they would pay the premium in recognition of the extra financial, economic and social costs often arising from an empty property.

The application of a premium after a 2 year period is also consistent with the Council's current approach in regarding that time span as the trigger for taking action, although it is recognised that owners of empty dwellings must be made aware of the impending application of premiums well before that period expires.

In the interests of clarity, the operation of this proposal would mean that any dwelling that had already been 'long-term empty' for at least 2 years as at 1 April 2017 would be liable for the full 200% charge from 1 April 2017. Only such dwellings that had been empty for shorter periods would continue with a 50% discounted charge until the 2 year period had expired.

Comments of Chief Financial Officer

As indicated in the report there is a number of elements to the introduction of Council Tax premiums of long-term empty dwellings which will impact on the Councils funding and finances. Firstly the discontinuation of the 50% discount on the long-term dwellings will impact on the tax base of the Council, increasing the level of funding that it will achieve from Council Tax due to reducing the level of discounts provided.

The second element of the premiums will increase the income that the Council receives, however this will be offset by expenditure on administration and enforcement costs, and regeneration activities that the premium is intended to fund, so as to have a net nil impact on budgets. Costs will need to be flexible and/or one-off in nature; we should see the income source reduce over time as properties are brought back into use and costs should be adjusted accordingly to maintain a net-nil position. Given that the

exact income levels will not be known and subject to on-going change, costs, other than those linked to implementation/enforcement should be incurred retrospectively, once we know what funds are available.

Comments of Monitoring Officer

The proposed action is in accordance with the Council's statutory powers under Section 139 of the Housing (Wales) Act 2014 and s12A of the Local Government Finance Act 1992. The Council can make a determination to dis-apply the provision within the 1992 Act for 50% council tax discount in relation to long term empty dwellings and can apply an additional premium of up to 100%, either immediately once the minimum 1 year period has expired, on a phased basis, or after a longer time period. The Council has a discretion as to whether or not to make such a determination. In exercising that discretion, the Council must have regard to Welsh Government Guidance and the objectives of the legislation, which is to bring long-term empty properties back into meaningful occupation and to provide affordable accommodation where there is an existing housing need. It is not intended as a means of increasing council tax revenue but to secure the improvement and re-occupation of empty dwellings. Therefore, the Council must consider whether this is a reasonable and proportionate way to address the issue of empty properties in Newport. However, the Report sets out the housing case for the proposal and the determination is consistent with the Council's Local Housing Strategy and existing strategies for dealing with empty properties. Any determination can only take effect after 1st April 2017 following 21 days public notice and, before taking any final decision, there has to be a period of public consultation and engagement with key stakeholders. The Council must also 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. The Final determination under section 12A of the 1992 Act must be made by full Council. Therefore, Cabinet can decide to go out to public consultation on the proposals and undertake an equality impact assessment, but the final decision will need to be referred to full Council. Any determination can be revoked or modified by the Council before the beginning of any subsequent financial year.

Staffing Implications: Comments of Head of People and Business Change

The report details options for implementing Council Tax premiums for long term empty dwellings and, clearly, there are a variety of resourcing issues, dependent on the approved option. The options of implementing premiums after any of the time periods mentioned in the report will have resource implications. Sections 25 to 30 outline a range of potential impacts and opportunities but for all options (apart from do nothing) there will be workload issues which Cabinet will need to consider in more detail following public consultation.

Comments of Cabinet Members

The Leader of the Council (standing in for the Cabinet Member for Finance and Resources) and the Cabinet Member for Adult Social Services and Housing have been consulted and have approved the Report for consideration by Cabinet.

Local issues

n/a

Scrutiny Committees

n/a

Equalities Impact Assessment

An Equalities Impact Assessment is required and it is proposed to complete this after public consultation and report back to Cabinet.

Children and Families (Wales) Measure

n/a

Consultation

The proposals require public and stakeholder consultation, following the establishment of the general principles by Cabinet.

Background Papers

The Local Government Finance Act 1992, as amended; available at <http://www.legislation.gov.uk/ukpga/1992/14/contents>

The Housing (Wales) Act 2014; available at <http://www.legislation.gov.uk/anaw/2014/7/contents/enacted>

The Council Tax (Exceptions to Higher Amounts) (Wales) Regulations 2015; available at <http://www.legislation.gov.uk/wsi/2015/2068/schedule/paragraph/1/made>

Guidance on the Implementation of the Council Tax Premiums on Long-Term Empty Homes and Second Homes in Wales; available at <http://gov.wales/topics/localgovernment/finandfunding/council-tax-wales/long-term-empty-homes-second-homes/?lang=en>

Local Housing Strategy 2012-17; available at <http://www.newport.gov.uk/documents/Strategies/Local-Housing-Strategy-2012-2017.pdf>

Single Integrated Plan, 'Feeling Good About Newport', 2013-2016; available at <http://onenewportlsb.newport.gov.uk/documents/One-Newport/SIP-2015-16-FINAL.pdf>

'Empty Homes in England' (Autumn 2015); report of the charity, Empty Homes; available at <http://www.emptyhomes.com/wp-content/uploads/2011/05/Empty-homes-in-England.pdf>

House of Commons briefing paper: 'Empty Housing (England)', (May 2016), available at <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN03012>

Newport Local Housing Market Assessment 2015-2020; available at <https://democracy.newport.gov.uk/documents/s2579/CM%20-%20Npt%20Local%20Housing%20Mkt%20Assessment-%20Aug%202015.pdf>

Welsh Government 'Houses into Homes' Scheme; available at <http://gov.wales/topics/housing-and-regeneration/housing-supply/empty-homes/houses-into-homes/?lang=en>

'A Cure for Empty Homes', Improvement and Development Agency (2006), available at https://www.nue.org.uk/wp-content/uploads/2015/11/empty_homesAgencyNewGuide.pdf

Dated: 3 August 2016

APPENDIX 1

The following table lists classes of dwellings which are statutorily exempt from council tax, as provided by the Local Government Finance Act 1992 and supporting regulations. Premiums may not apply to a dwelling that falls into any of the classes.

Exemption Class	Description of Dwelling (summarised)	Maximum Duration of Exemption
A	Substantially unfurnished, unoccupied, and requiring major works to make it habitable	12 months
B	Unoccupied: owned by a body established for charitable purposes	6 months
C	Substantially unfurnished; unoccupied for less than 6 months	6 months
D	Unoccupied: last occupied by a person detained in a prison, hospital, etc.	Unlimited
E	Unoccupied: last occupied by a person who now resides in a nursing or care home, hospital, hostel, etc.	Unlimited
F	Unoccupied: resident has died; no grant of probate has been made, or less than 6 months has elapsed since a grant of probate	Unlimited; or limited to 6 months after probate
G	Unoccupied: occupation prohibited by law	Unlimited
H	Unoccupied: held vacant for a minister of religion	Unlimited
I	Unoccupied: last occupied by a person who is receiving care, other than in a nursing or care home or hospital, hostel, etc.	Unlimited
J	Unoccupied: last occupied by a person who is providing care elsewhere	Unlimited
K	Unoccupied: last occupied only by a student or students	Unlimited
L	Unoccupied: mortgagee is in possession	Unlimited
M	Hall of Residence occupied mainly by students	Unlimited
N	Occupied by full time students only	Unlimited
O	Owned by Ministry of Defence	Unlimited
P	Occupied by member of a visiting force	Unlimited
Q	Unoccupied: liable person is bankrupt	Unlimited
R	Unoccupied pitch or mooring	Unlimited
S	Occupied only by persons under 18	Unlimited
T	Unoccupied annex which may not be let separately	Unlimited
U	Occupied only by persons who are severely mentally impaired	Unlimited
V	Occupied by a person with diplomatic privilege or immunity	Unlimited
W	Annex occupied by a dependent relative	Unlimited