

Meeting of:	Cabinet
Date of Meeting:	Thursday, 01 December 2022
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Council Tax Unoccupied Dwellings: 2023/24
Purpose of Report:	To seek approval for the policy to be adopted for Council Tax on unoccupied dwellings for 2023/24.
Report Owner:	Executive Leader and Cabinet Member Performance and Resources
Responsible Officer:	Matt Bowmer - Head of Finance/Section 151 Officer
Elected Member and Officer Consultation:	No Elected Members have been consulted as this is not a ward specific matter Operational Manager Exchequer Services
Policy Framework:	This is a matter for Executive decision by Cabinet
<p>Executive Summary:</p> <ul style="list-style-type: none"> The report proposes that Cabinet reaffirms its previous decision not to grant any discount in Council Tax for empty properties and furnished second homes for the 2023/24 financial year. The report proposes that Cabinet determines that the Council goes out to consultation regarding the levying of a Council Tax premium in 2023/24 in respect of long-term empty properties and in 2024/25 in respect of second homes. This is in line with the Council's objective to increase the supply of housing in the Vale of Glamorgan. The headline annual need for affordable housing in the Vale of Glamorgan from 2021 to 2026 is 1,205 dwellings. 	

Recommendations

1. That Cabinet reaffirms its previous decision that no discount be allowed in 2023/24 in respect of unoccupied dwellings as defined in classes A, B and C to the Council Tax (Prescribed Class of Dwellings) (Wales) Regulations 1998, as amended.
2. That Cabinet determines that the Council enters a period of consultation as defined in Sections 12A and 12B of the Local Government Finance Act 1992, as inserted by the Housing (Wales) Act 2014 regarding the following:
 - A Council Tax premium is levied in 2023/24 in respect of long term empty properties.
 - A Council Tax premium is levied in 2024/25 in respect of second homes.

Reasons for Recommendations

1. The Council is required to determine its policy on discounts in relation to unoccupied dwellings as defined in classes A, B and C to the Council Tax (Prescribed Class of Dwellings) (Wales) Regulations 1998 each year.
2. The Council is required to determine its policy on the introduction of premiums in respect of second homes and long-term empty properties as defined in Sections 12A and 12B of the Local Government Finance Act 1992, as inserted by the Housing (Wales) Act 2014.

1. Background

- 1.1 A Welsh Local Authority may decide to give no discount, or a discount of between 10% and 50% in respect of unoccupied, furnished dwellings.
- 1.2 The Welsh Regulations allow Authorities to reduce or discontinue the 50% discount on dwellings which are unoccupied and substantially unfurnished and have been for more than six months.
- 1.3 The Welsh Regulations prescribe three classes of dwellings for which Welsh Local Authorities will have discretion to consider the discounts allowable.

Unoccupied furnished dwellings

- 1.4 The Regulations prescribe two classes of unoccupied and furnished dwellings for which Welsh Local Authorities will have discretion to consider whether a discount should apply or not. The discounts that are allowable are between 10% and 50%:
- 1.5 Class A relates to dwellings with a restriction on occupancy by law which prohibits their use for a period of at least 28 consecutive days in any 12-month period.

- 1.6 Class B relates to dwellings that have no such restriction on occupancy.

Unoccupied unfurnished dwellings

- 1.7 The Regulations prescribe a class of unoccupied and unfurnished dwelling for which Welsh Local Authorities will have discretion to consider whether a discount should apply or not. The discounts allowable are up to a maximum of 50%.
- 1.8 Class C relates to long term (more than 6 months) unoccupied and substantially unfurnished dwellings.
- 1.9 Empty properties which are unoccupied and substantially unfurnished are initially exempt from Council Tax for a period of up to six months. A property is considered to be 'long-term empty' for discount purposes if it has been unoccupied and substantially unfurnished for more than six months and does not qualify for another class of exemption from Council Tax.

Council Tax Premiums

- 1.10 From 1st April, 2017, S139 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 an additional 100% on top of the standard rate of Council Tax, on second homes and long-term empty properties.
- 1.11 However, with the introduction of the Council Tax (Long Term Empty Dwellings and Dwellings Occupied Periodically (Wales) Regulations 2022, a billing Authority in Wales may determine in relation to its area, that if on any day a dwelling is a long term empty dwelling (12 months or more) or a dwelling occupied periodically (second home), then as from the 1st April, 2023, the amount of Council Tax payable can be increased by a percentage of no more than 300%.
- 1.12 A decision to charge a premium on second homes must be made at least one full year before the beginning of the financial year to which the premium relates. Therefore, in order to charge a premium from 1st April, 2024, a billing authority must make a determination before 1st April, 2023.
- 1.13 A decision to charge a premium on long-term empty properties must be made before the start of the financial year to which the premium relates.
- 1.14 The determination to charge a premium must be made by full Council. Prior to doing so, a Local Authority must give due consideration to its statutory duties to carry out an Equality Impact Assessment. A Local Authority should also give consideration to engagement and consultation with key stakeholders before taking a decision to charge either premium.

2. Key Issues for Consideration

- 2.1 The Council's current policy is not to allow any discount on unoccupied dwellings (classes A, B and C). It is proposed to continue this policy for 2023/24.
- 2.2 The Council's current policy is to not charge premiums for long-term empty properties and second homes. However, it is proposed that a consultation exercise is mobilised with the view to consider charging a premium on long-term empty properties from 2023/24 and then on second homes from 2024/25.
- 2.3 As at 31st October, 2022, within the Vale of Glamorgan area, the following properties fell within the category of second home or long term empty property:
- 402 properties fell within the category of second home: and
 - 528 properties fell within the category of long-term empty property (more than twelve months).
- 2.4 Whilst there is a potential to charge premiums on the number of properties outlined above, there are a variety of exemptions that apply. As a result, the Council is prevented from charging a premium in the following circumstances:

Classes of Properties	Definition	Application
Class 1	Dwellings Being Marketed For sale	Long Term Empty Properties & Second Homes
Class 2	Dwellings Being Marketed For let	Long Term Empty Properties & Second Homes
Class 3	Annexes forming part of the main dwelling	Long Term Empty Properties & Second Homes
Class 4	Main residence if not residing in armed forces accommodation	Long Term Empty Properties & Second Homes
Class 5	Occupied caravan pitches and moorings	Second Homes
Class 6	Seasonal homes where year-round occupation is prohibited	Second Homes
Class 7	Job related dwellings	Second Homes

- 2.5 Due to the number of properties that may fall into the exempt classes outlined above, then the 930 properties that could potentially attract a premium, will undoubtedly be reduced.
- 2.6 There is a clear benefit in introducing premiums including bringing long term empty properties back into use and supporting the Council in increasing the supply of affordable housing, thereby enhancing the sustainability of local communities.

- 2.7 The headline annual need for affordable housing in the Vale of Glamorgan from 2021 to 2026 is 1,205 units per annum, comprising:
- 915 units of social rented accommodation
 - 211 units of intermediate rented housing
 - 79 units of low-cost home ownership
- 2.8 A new Empty Homes Strategy has recently been developed. There is an Empty Homes Strategy 2019-2024 in place and there is excellent ongoing joined up working taking place in the Authority. On 23rd March, 2020, Minute C285, Cabinet approved the Empty Homes Strategy 2019-2024 for adoption and the final version can found here:
<https://www.valeofglamorgan.gov.uk/Documents/Living/Housing/Empty-Homes/Empty-Homes-Strategy-2019-2024-English.pdf>
- 2.9 However, it should be noted that finding good quality affordable private rented accommodation within the Vale of Glamorgan is becoming increasingly challenging. This is due to several factors outside of the control of the Authority, including the rising house prices in the area which are incentivising landlords to sell their properties; the ever-increasing gap between Local Housing Allowance rates and market rents; changes to taxation on certain types of mortgages and legislative changes including the extended notice period required to be given to private tenants.
- 2.10 The existence of large numbers of long-term empty dwellings is a drain on the Council's resources. For example, outreach work by Regeneration and case work involving complaints and emergency works in default undertaken by the relevant teams responsible for enforcement action, such as SRS. 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.
- 2.11 There is also clearly a financial benefit to the Council of introducing premiums. For illustrative purposes taking a band 'D' average of approximately £1,750 for the current year then the following could be raised on current figures:

Second Homes:

	100%	200%	300%
	£M	£M	£M
Potential revenue on 402 properties	0.703	1.400	2.100

Empty Properties:

	100%	200%	300%
	£M	£M	£M
Potential revenue on 528 properties	£924k	£1.8m	£2.8m

- 2.12 However, it should be noted that these are the maximum figures, and the actual number could potentially be 50% less if a premium is introduced. It is likely that the Council will also receive notification from a potentially large group of these owners informing the Council that the property has become occupied prior to the premium being introduced. Where this is the case there is also the possibility of a single occupier and a 25% Single Persons Discount being claimed against the current 100% charge.
- 2.13 However, it is prudent to consider that there are also negatives in introducing premiums as this may have a detrimental impact on local tourism and the local economy during a cost-of-living crisis. In addition, it could be argued that owners of both second homes and empty properties do not use local services to the same degree as other residents and therefore it may be perceived unfair to charge additional Council Tax.
- 2.14 Consultation will be over a five-week period ending at the beginning of January giving time for the results to be analysed in time for Cabinet in February 2023. The Council will also set up a consultation page on its website and set up social media posts to alert members of the public to the consultation. The Council will also write individually to any current customers that could be affected by any changes made to premiums inviting their comments and views.
- 2.15 The Council will give careful consideration to the replies received through the consultation period. However, the initial suggestion and consideration would be to apply a 100% premium to the appropriate properties in year one and consider increasing this incrementally to 300% over the coming years.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1 The proposals in this report will enable the Council to continue to work towards the Well-being Outcome of Cohesive Communities by contributing to the goal of attractive, viable, safe and well-connected communities.
- 3.2 It will also work towards the outcome of a Globally Responsible Wales as fewer properties will be left empty, providing access to housing for more people and less requirement for building new homes.

4. Climate Change and Nature Implications

- 4.1 By reducing the number of empty properties, it is expected that there will be less need to build new properties, thus utilising less green space and the associated carbon footprint of the building effort itself.

5. Resources and Legal Considerations

Financial

- 5.1 When applying the full charge on unoccupied properties as specified in classes A, B and C to the Council Tax (Prescribed Class of Dwellings) (Wales) Regulations 1998, then this is reflected in the Council Tax Base, which is used by the Welsh Government in determining the Revenue Support Grant Settlement.
- 5.2 Any income raised through the introduction of premiums on long term empty properties and second homes would be retained by the Council. However, additional resources would be required in order to monitor properties subject to the premium and represent the Council at Valuation Tribunal where appeals are made against the decision to charge a premium.
- 5.3 To effectively tackle nuisance long-term empty properties, a revised Joint Working Agreement needs to be in place with SRS so that they undertake proactive enforcement work in the Vale of Glamorgan as they currently do in Cardiff and Bridgend. This would require funding. Additional resource is also required in Regeneration to support the outreach work and the number of schemes being delivered.

Employment

- 5.4 None as a direct result of this report.

Legal (Including Equalities)

- 5.5 The Council is obliged to collect Council Tax in line with Government Regulations.

6. Background Papers

None.