

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

15 NOVEMBER 2022

REPORT OF THE CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

COUNCIL TAX PREMIUMS - LONG TERM EMPTY HOMES AND SECOND HOMES

1. Purpose of report

1.1 The purpose of this report is to:

- provide information to Cabinet on the discretionary powers that the Council has to charge higher amounts of Council Tax (a premium) on long term empty homes and second homes, as provided for by the Housing (Wales) Act 2014.
- seek approval from Cabinet to initiate a consultation exercise on the proposed use of these powers in respect of long term empty homes and second homes.
- seek approval from Cabinet to bring back the results of the consultation exercise in order for Cabinet to determine a way forward for recommendation to full Council.

2. Connection to corporate well-being objectives / other corporate priorities

2.1 This report assists in the achievement of the following corporate well-being objectives under the **Well-being of Future Generations (Wales) Act 2015**:

1. **Supporting a successful sustainable economy** – taking steps to make the county borough a great place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions for all people in the county borough.
2. **Helping people and communities to be more healthy and resilient**– taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
3. **Smarter use of resources** – ensuring that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

2.2 Council tax collected from local residents makes up approximately 27% of the funding for the Council's net revenue budget, which supports the achievement of all of the Council's well-being objectives.

3. Background

3.1 From 1st April 2017, Councils in Wales have been able to charge higher amounts (a

premium) of up to 100% on top of the standard rate of council tax on long-term empty homes and second homes. The legislative changes were made by the Housing (Wales) Act 2014 and the powers given to Councils are discretionary. Whether to charge a premium on long term empty homes or second homes (or both) is therefore a decision to be made by each Council, and must be made by full Council.

3.2 Welsh Government (WG) has provided guidance to support local authorities in determining whether or not to charge a premium, and have provided a range of factors which can help local authorities in making that decision, 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.

3.3 The discretion given to local authorities to charge a premium is intended to be a tool to help local authorities to:

- * bring long-term empty homes back into use to provide safe, secure and affordable homes; and
- * support local authorities in increasing the supply of affordable housing and enhancing the sustainability of local communities.

3.4 In February 2019 Council resolved to remove the discretionary discount on empty homes, and approved a new level of 100% Council Tax payable for specified categories of property which have been empty for more than 6 months. No consideration was given as part of that decision to charge a premium on empty homes. With regards to second homes, the Council has not awarded a discount on these types of properties since April 2000, neither has it charged a premium.

3.5 The Welsh Government guidance outlines a number of exceptions where premiums cannot be charged on empty homes and second homes, and more detail is available on each one within the guidance:

Classes of Dwelling	Definition	Application
Class 1	Dwellings being marketed for sale – time-limited for one year	Long Term Empty Homes and Second Homes
Class 2	Dwellings being marketed for let – time-limited for one year	
Class 3	Annexes forming part of, or being treated as part of, the main dwelling	
Class 4	Dwellings which would be someone's sole or main residence if they were not residing in armed forces accommodation	
Class 5	Occupied caravan pitches and boat moorings	Second Homes
Class 6	Seasonal homes where year-round occupation is prohibited	
Class 7	Job-related dwellings	

4. Current situation/proposal

Premiums for Long Term Empty homes

- 4.1 A long-term empty dwelling is defined as a dwelling, which is both **unoccupied** and **substantially unfurnished** for a continuous period of at least **one year**.
- 4.2 In determining the length of time a dwelling has been empty, no account can be taken of any period before 1st April 2016. In addition, the furnishing or occupation 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. In other words, a person cannot alter a dwellings status as a long-term empty dwelling by taking up residence or installing furniture for a short period.
- 4.3 Where a Council makes a determination to charge a premium on long-term empty dwellings, it may specify different percentages (originally up to 100 per cent but from 1st April 2023 this can be up to a maximum of 300 per cent) for different dwellings based on the length of time that they have been empty.
- 4.4 Should the Council determine to charge a premium on this type of property then notice of the decision must be published at the minimum in a local newspaper, but it is recommended that this is published more widely, within 21 days of that decision. However, there is no requirement for the Council to provide a prescribed period of notice before charging a premium. The Council would write to each home owner once a decision is made, to advise them of the forthcoming change thereby providing as much advance notice as possible. In terms of timing, given that council tax bills are issued towards the end of February/beginning of March, there is sufficient time available to undertake a consultation for the 2023-24 financial year, to enable Council to take a decision and advertise that decision before the council tax bills are issued.
- 4.5 The Welsh Government Stats Wales website shows the following position across Wales (2022-23) in terms of those authorities that charge an empty property

premium, plus the percentage premium applied and the number of properties affected:

	Long Term Empty Homes Premium				
	25%	50%	75%	100%	Total
Isle of Anglesey	0	0	0	324	324
Blaenau Gwent	0	0	0	0	0
Bridgend	0	0	0	0	0
Caerphilly	0	0	0	0	0
Cardiff	0	826	0	0	826
Carmarthenshire	0	0	0	0	0
Ceredigion	579	0	0	0	579
Conwy	0	398	0	0	398
Denbighshire	0	516	0	0	516
Flintshire	0	588	0	0	588
Gwynedd	0	0	0	1019	1019
Merthyr Tydfil	0	0	0	0	0
Monmouthshire	0	0	0	0	0
Neath Port Talbot	0	0	0	0	0
Newport	0	0	0	0	0
Pembrokeshire	129	89	0	246	464
Powys	0	665	0	0	665
Rhondda Cynon Taf	0	0	0	0	0
Swansea	0	0	0	1079	1079
Torfaen	0	0	0	0	0
Vale of Glamorgan	0	0	0	0	0
Wrexham	0	260	0	0	260
Total Wales	708	3342	0	2668	6718

- 4.6 Bridgend's latest data (October 2022) shows there are 701 long-term empty homes in the County Borough. The table below provides additional information in relation to the distribution of these properties across the communities of Bridgend and the length of time that these properties have stood empty.

Parish	12-18mths	18-24mths	2-3yrs	3-5yrs	5-10yrs	> 10yrs	Total over 12 months
Brackla	5	1	3	5	2	5	21
Bridgend	15	8	14	19	15	11	82
Cefn Cribwr	3	0	2	1	2	4	12
Coity Higher	6	6	6	6	4	2	30
Coychurch Higher	0	0	0	1	1	0	2
Coychurch Lower	2	1	0	1	3	0	7
Cynffig	4	3	5	0	5	5	22
Garw	18	5	5	4	17	5	54
Laleston	3	8	4	1	6	3	25
Llangynwyd Lower	0	1	0	1	0	0	2
Llangynwyd Middle	4	0	2	1	2	2	11
Maesteg	31	16	27	15	35	33	157
Merthyrmaur	0	0	1	0	1	0	2
Newcastle Higher	4	4	1	1	3	1	14
Ogmore Valley	15	7	7	13	25	18	85
Pencoed	3	5	6	4	6	3	27
Porthcawl	20	18	14	20	25	21	118
St Brides Minor	1	1	5	2	4	2	15
Ynysawdre	5	5	0	1	3	1	15
Total	139	89	102	96	159	116	701

- 4.7 Bridgend's Empty Property Strategy was approved by Cabinet in December 2019. The purpose of the Strategy was to seek to reduce empty properties across the County Borough and help contribute towards increasing the availability of housing for sale or for rent. A proposal to charge a council tax premium on empty properties is in line with the aims of this Strategy.

Premiums for Second Homes

- 4.8 A second home is defined as a dwelling that is not a person's sole or main residence and is substantially furnished. These dwellings are referred to in the Local Government Finance Act (LGFA) 1992 as dwellings occupied periodically but they are commonly referred to as "second homes".
- 4.9 The Welsh Government Stats Wales website also shows the following position across Wales (2022-23) in terms of those authorities that charge a council tax premium on second homes, plus the percentage premium applied and the number of properties affected:

	Second Homes Premium				
	25%	50%	75%	100%	Total
Blaenau Gwent	0	0	0	0	0
Bridgend	0	0	0	0	0
Caerphilly	0	0	0	0	0
Cardiff	0	0	0	0	0
Carmarthenshire	0	0	0	0	0
Ceredigion	1642	0	0	0	1642
Conwy	1050	0	0	0	1050
Denbighshire	0	384	0	0	384
Flintshire	0	177	0	0	177
Gwynedd	0	0	0	3746	3746

	Second Homes Premium				
	25%	50%	75%	100%	Total
Isle of Anglesey	0	2149	0	0	2149
Merthyr Tydfil	0	0	0	0	0
Monmouthshire	0	0	0	0	0
Neath Port Talbot	0	0	0	0	0
Newport	0	0	0	0	0
Pembrokeshire	0	0	0	3794	3794
Powys	0	1074	0	0	1074
Rhondda Cynon Taf	0	0	0	0	0
Swansea	0	0	0	1284	1284
Torfaen	0	0	0	0	0
Vale of Glamorgan	0	0	0	0	0
Wrexham	0	0	0	0	0
Total Wales	2692	3784	0	8824	15300

- 4.10 Currently Bridgend County Borough Council has 72 properties which are classed as second homes that pay a 100% charge. Of these, approximately 74% are owned by people who do not live in Bridgend County Borough. Under the Local Government Finance Act 1992, in order for a premium to apply to dwellings occupied periodically (second homes), a billing authority must make its first determination under section 12B **at least one year** before the beginning of the financial year to which the premium relates. This means that in order to charge a premium from 1st April 2024, a billing authority must make a determination before 1st April 2023.
- 4.11 Where a Council makes a determination to charge a premium on second homes, this can be up to a maximum of 300 per cent from April 2023.

Consultation Process

- 4.12 Prior to determining whether or not to charge a premium on long term empty homes and/or second homes, a local authority must 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 and to all other relevant considerations. In line with the WG guidance, a local authority should consider engagement and consultation with key stakeholders, including the local electorate, before taking a decision as to whether or not to charge the premium.
- 4.13 It is proposed that a 4 week public consultation process be undertaken on this proposal, which will include the Council writing directly to the owner of every empty home and second home to invite their feedback. The results of the consultation will be brought back to Cabinet and Council in January 2023.

Proposed Premium

- 4.14 It is proposed that a premium of 100% be charged on both long term empty homes and second homes for an initial period of 2 years, with a proposal that this be increased to 200% from year 3. This will be the basis of a public consultation.

- 4.15 Following the consultation, should Council agree to charge a premium on long term empty homes and second homes, it is proposed that the premium for long term empty homes is introduced and effective from 1st April 2023, while the premium for second homes would be effective from 1st April 2024 (in line with the requirements of the Act).

5. Effect upon policy framework and procedure rules

- 5.1 There is no effect on the policy framework and procedure rules.

6. Equality Act 2010 implications

- 6.1 An initial Equality Impact Assessment (EIA) screening has identified that there would be no negative impact on those with one or more of the protected characteristics, on socio-economic disadvantage or the use of the Welsh Language. It is therefore not necessary to carry out a full EIA on this policy or proposal. However, this will be further considered as part of the consultation exercise.

7. Well-being of Future Generations (Wales) Act 2015 implications

- 7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report. Specifically the proposals support the sustainable development principle by seeking to support an increase in the supply of affordable housing and enhancing the sustainability of local communities

8. Financial implications

- 8.1 The charging of a 100% premium on long-term empty dwellings and second homes would raise additional revenue through council tax collection. This is estimated at a maximum of £1 million (based on the full year impact of a 100% premium, once both premiums are implemented (April 2024), and based on the current 97.5% collection rate at average Band D council tax rates). However, this is unlikely to be the case, given the likely much lower collection rates for these types of properties, the need to identify and apply the exceptions set out in paragraph 3.5, and the fact that around 17% of properties have been empty for over 10 years and for these properties there are often problems in determining ownership / responsibility for payment.
- 8.2 In line with the WG guidance, the local authority is permitted to retain any additional funds generated by implementing the premium. Authorities are encouraged to use any additional revenue generated to help meet local housing needs, in line with the policy intentions of the premiums. It is proposed that the extra funding generated would support the Council's Empty Property Strategy and Homelessness Strategy, and will be used to support budget pressures in these areas through the Medium Term Financial Strategy.

9. Recommendations

- 9.1 Cabinet is recommended to note the report and:

- agree to initiate a consultation exercise on the proposed use of these powers in respect of long term empty homes and second homes.
- agree to bring back the results of the consultation exercise in order for Cabinet to make a recommendation to full Council.

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Background Documents: Welsh Government 'Guidance on the Implementation of the Council Tax Premiums on Long-Term Empty Homes and Second Homes in Wales' January 2016