

Committee: **Council**

Date of Meeting: **18th July, 2024**

Report Subject: **Council Tax Premiums on Long-Term Empty Properties and 2nd Homes**

Portfolio Holder: **Councillor S. Thomas – Leader & Cabinet Member Corporate & Performance**

Report Submitted by: **David Elias – Service Manager Revenues & Charging Assessments**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Governance Audit Committee	Democratic Services Committee	Scrutiny Committee	Cabinet	Council	Other (please state)
	04/07/2024						18/07/2024	

1. Purpose of the Report

- 1.1 To consider the implementation of council tax premiums on long-term empty and 2nd homes within Blaenau Gwent.

2. Scope and Background

- 2.1 Blaenau Gwent faces significant challenges in areas of homelessness and affordable housing and in addition, there are a significant number of empty properties throughout the Borough, often abandoned or neglected, which can have detrimental effects on the community, contributing to the decline in neighbourhoods, attracting anti-social behaviour and reducing the overall quality of life for residents.
- 2.2 In an effort to address these challenges the Council's Empty Property Strategy aims to bring vacant properties back into use. It considers all the options available for tackling the problem of empty properties, to ensure that where vacant properties are identified, every effort is made to renovate them to a good standard and bring them back into use.
- 2.3 The Housing (Wales) Act 2014 defines a long term empty property as a property that has remained empty for more than 1 year, since it was last occupied, taking into consideration the 6 week occupation rule (i.e any occupation less than 6 weeks is not classed as occupation).

- 2.4 Once long term empty properties are identified, these are targeted for action to bring back into use by:-
- Encouraging Owners to bring their properties back into use by providing information and advice: and
 - Use of enforcement powers
- 2.5 Blaenau Gwent Council has previously used its discretion to remove the 50% discount provided to properties that have been empty for longer than 6 months, and are not entitled to any statutory exemption under the Local Government Finance Act 1992 (the Act)(see Appendix 1 for details of statutory exemptions). The Council therefore currently levies 100% council tax on all empty properties that meet this criteria.
- 2.6 The Act also gives Councils discretionary powers to charge a premium on top of the standard rate of council tax on long term empty properties (properties empty longer than 12months) and second homes.
- 2.7 The decision to charge a council tax premium on either a long-term empty property, second home or both, is a decision for each council to make. Councils can set different levels of premium for each class.
- 2.8 As a result of consultation during the 2022/23 financial year, Welsh Government updated regulations in respect of the premiums referred to in the Housing(Wales) Act 2014. As a result, from 1st April 2023, Councils are able to charge a premium of up to 300% on top of the standard rate of council tax for these properties.
- 2.9 In exercising its functions under this section, a billing authority must have regard to any guidance issued by the Welsh Ministers. The guidance can be found by using the link in appendix 1. Key points of this guidance include:-
- The regulations identify seven classes of dwellings that are excepted from the premium. These include dwellings marketed for let or sale, annexes and seasonal homes. A full list can be found on page 7 of the accompanying guidance found in Appendix 2 and is included within the draft policy (Appendix 5). This list is not exhaustive and individual local authorities can introduce local exceptions to cater for local needs.
 - Premiums will only be relevant for properties that exist in the council tax list issued by the Valuation Officer.
 - Premiums should not be viewed solely as a revenue raising opportunity.
 - Whilst not regulation, Welsh Government have indicated that the

policy intention for the implementation of premiums is that any additional income raised by local authorities, is used to support local housing needs.

- a minimum of 6 months' notice should be given before implementing a premium for a property that may be classed as a long term empty, and at least 12 month for 2nd homes.

2.10 As at 31st May 2024 there were 372 properties throughout the County Borough that appear to meet the criteria of long term empty premium, and 1 property registered as a 2nd home.

2.11 Those appearing to meet the criteria of long term empty will need to be verified, as experience during the cost of living payments suggests that, due to the fact that empty properties are currently charged 100% council tax, owner occupiers are not necessarily informing the Council when they occupy a property and just continue to pay the 100% charge.

3. **Options for Recommendation To include Recommendation(s) / Endorsement by other groups, e.g. CMT/Committees/Other groups)**

3.1 **Option 1a(preferred option)**

3.1.1 To note details of the discretionary powers that Councils have relating to council tax premiums, and agree to exercise its discretion and introduce council tax premiums within Blaenau Gwent for long term empty properties (from 1 April 2025) and second homes (from 1 September 2025)

3.1.2 **Option 1b**

To note details of the discretionary powers that Councils have relating to council tax premiums, but agree not to exercise it's discretion.

3.2 **Premium Levels**

If the option to introduce Council Tax Premiums is agreed (Option 1a) the level of and criteria for the premium(s) are to be considered:-

3.2.1 **Option 2a**

To implement a premium of 100% across all Empty Properties and 2nd Homes for those properties not entitled to either a statutory or discretionary exception.

3.2.2 **Option 2b**

To implement a premium on 2nd homes of 100% and for Empty Properties, to implement a premium ranging from 100% to 300% (maximum), the rate will depend upon the length of time the property has been empty:-

Length of time Property Empty (from 1 April 2024)	Premium
Between 1 – 2 years	100%
Between 2 -3 years	200%
Over 3 years	300%

3.2.3 **Option 2c**

To propose alternative premium levels to be implemented.

3.3 **Local Discretions (Exceptions)**

Council to consider whether local discretions (Exceptions) are to be included within the policy :-.

3.3.1 **Option 3a**

To consider and agree the suggested local discretions / exceptions, as detailed in Annex 1 of Appendix 5 – Draft Council Tax Premium Policy

3.3.2 **Option 3b**

To consider and put forward alternative local exceptions.

3.3.3 **Option 3c**

To not implement local exceptions.

3.4 **Appeals Panel**

There will inevitably be appeals against the imposition of a premium for empty and 2nd Home property. The initial appeal will be heard by the Council Tax Premiums Officer however it is proposed that the Council establish an Appeals Panel to consider unresolved appeals before progressing, if required, to the Valuation Tribunal.

3.4.1 It is further proposed that the panel will consist of The Council's Chief Officer Resources (s151 officer), Leader, and Leader of the largest opposition group.

3.4.2 **Option 4a**

Agree to the establishment of a Council Tax Premium Appeals Panel and the proposed Membership (paragraph 3.4.1)

3.4.3 **Option 4b**

Agree to the establishment of a Council Tax Premium Appeals Panel and propose alternative Membership.

4 **Evidence of how this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 The Corporate Plan identifies the need for thriving and resilient communities within Blaenau Gwent. Bringing empty properties back in to use will help reduce demand for affordable housing and the use of temporary accommodation. Any additional revenue generated from council tax premiums could be utilised to help address some of these issues in future.

5. **Implications Against Each Option**

5.1 ***Impact on Budget (short and long term impact)***

5.1.1 **Option 1a**

Although the circumstances of the properties would have to be verified, on 2024/25 council tax levels it is estimated that circa 372 properties throughout Blaenau Gwent currently could be in scope for a long term empty premium. This could generate additional revenue of between £624,000 and £1.875m per annum depending upon i) the level of premiums adopted, ii) the premises remaining vacant for a full financial year and iii) 100% collection rates.

5.1.2 Implementation of Council Tax Premiums will result in increased workload that will require additional staff resource. The estimated cost of the additional resources is £116,000 per annum.

These costs will be funded by the additional revenue generated from the Council Tax Premiums from April 2025, however additional costs incurred within 2024/25 will require a contribution from the Council's Reserves.

5.1.3 In order to report premiums information as Welsh Government expects, the Council will need to purchase additional software modules. The cost of this software is intended to be paid out of premiums levied.

5.1.4 In addition, Blaenau Gwent currently owns some properties that would meet the criteria for long term empty, costs would therefore increase.

Option 1b

5.1.5 There will be no financial implications for the Council.

5.2 ***Risk including Mitigating Actions***

5.2.1 **Option 1a**

Home owners can request the valuation officer to consider removing properties from the council tax list. If the valuation officer agrees there is a consequential reduction to the council tax base of an Authority (i.e. a higher tax level needs to be set to obtain the same income)

- 5.2.2 Depending on circumstances of individuals occupying premises there may be an increase in the Council Tax Reduction Scheme budget requirement.
- 5.2.3 Precepting Authorities are not subject to receive council tax premiums, therefore, the band D equivalent set for these areas will not achieve their requested precept and will require subsidising by Blaenau Gwent.
- 5.2.4 Monies budgeted to be raised by premiums may not be achieved as properties may become occupied during the year.(there could even be a reduction in the council tax base if they are occupied by a single occupant)

Option 1b

- 5.2.5 Not implementing council tax premiums will continue the status quo.

Empty property will remain unoccupied and may deteriorate in condition.

5.3 *Legal*

- 5.3.1 The Housing(Wales) Act 2014 introduced powers for Councils to consider introducing premiums for properties classed as long term empty or 2nd homes under s12A(3) and 12B(4) of the Local Government Finance Act 1992.

Where a Council makes a determination to introduce premiums, it must publish a notice of the determination in at least one newspaper circulating in its area within 21 days of that determination.

5.4 *Human Resources*

- 5.4.1 Information from other Welsh LA who have already introduced premiums suggest that it is a resource intense administrative exercise which has created significant challenge and appeals. It is estimated that an additional full time equivalent employee will be required to implement and establish premiums,
- 5.4.2 To support the Council's Empty Property Strategy and manage the implementation and administration of the proposed Council Tax Premium policy, additional staff resource will be introduced. The resource will be 1 Empty Property Officer based within the Public Protection team and 1 Council Tax Premiums Officer within the Revenues Service.

6. **Supporting Evidence**

6.1 ***Performance Information and Data***

6.1.1 100% council tax liability for empty properties not entitled to a statutory exemption was introduced in Blaenau Gwent from the 1st April 2020. The current average collection rate for these category of properties is 85%, although collection of outstanding liabilities is ongoing.

6.1.2 Officers from the Council have attended workshops facilitated by Welsh Government to learn from experiences of those that have already introduced premiums. Although anecdotal evidence, these workshops have highlighted that:-

- The statutory exceptions are very limited in dealing with the reasons why a property may be vacant, which has led to a high number of appeals and a significant administration burden.
- The statutory exceptions may limit the potential of an empty property being brought back into use when renovation work is required (i.e. premium will be due from date of ownership change until occupation)
- The statutory exceptions do not cater for circumstances where a domestic dwelling and a commercial premises share the same entrance (i.e. it is assessed as a composite property by the valuation office) and cannot be sold or let independently.
- The statutory exceptions do not cater for cases where there are some quite complex legal reasons why some properties remain empty.(e.g. property not registered and transfer to allow sale following death of an occupier involves lengthy legal process to get to grant of probate)

6.1.3 To address some of these issues / concerns it is proposed that should the Council decide to implement Council Tax premiums :-

6.1.4 Additional resources will be introduced to address the additional workload and reporting requirements.

6.1.5 The Council consider whether local discretions (in addition to statutory exemptions and WG guidelines) should be introduced.

6.1.6 An appeals process will need to be introduced and it is proposed that a Council Tax Premium Appeals Panel be established.

6.2 ***Expected outcome for the public***

- 6.2.1 There is a significant unmet demand for affordable housing within Blaenau Gwent, alongside increasing costs associated with homelessness. It could be anticipated that properties classed as long term empty may be brought back in to use. If this is not the case, individuals that are currently liable to pay council tax on an identified long term empty property or second home, will see an increase in the level of council tax that they currently pay.

Where a Council makes a determination to introduce premiums, it must publish a notice of the determination in at least one newspaper circulating in its area within 21 days of that determination.

6.3 **Involvement (consultation, engagement, participation)**

- 6.3.1 As members may remember, a consultation exercise was carried out during August and September 2023. The consultation exercise was publicised to the general public using established Council platforms, i.e. the website and social media channels. Furthermore, letters were sent out to relevant stakeholders to encourage participation. 171 responses were received to the consultation, with there being broad support for the Council to use its discretionary powers to introduce premiums.

- 6.3.2 The full consultation questions and analysis is provide at appendix 3 & 4 respectively.

- 6.3.3 Of the 110 consultees that were in favour of introducing a premium, there were differing opinions on the level of premium that should be considered for long term empty properties. The table of responses can be found in Appendix 3. Of those who responded, 50% suggest a premium of 100% or less, 8% a premium of 150%, 14% a premium of 200% and 28% a premium at the maximum level of 300%

6.4 ***Thinking for the Long term (forward planning)***

- 6.4.1 Vacant Property Management: By introducing premiums on vacant properties, it is anticipated that property owners may actively manage and maintain their properties or consider alternative uses, such as rental or redevelopment, thereby reducing blight and improving neighbourhood aesthetics.

- 6.4.2 Behavioural Incentives: Empty property premiums serve as a behavioural incentive for property owners to avoid leaving properties vacant for extended periods, thereby promoting more efficient use of housing stock and contributing to overall housing affordability and availability.

6.5 ***Preventative focus***

Not applicable to this report

6.6 ***Collaboration / partnership working***

6.6.1 In order to assist in getting empty properties back into use, Welsh Government have made available an Empty Homes Grant where a property has been empty and unfurnished for more than 12 months. Local Authorities must opt in to this grant scheme.

6.6.2 Blaenau Gwent Council has opted into the grant scheme.

6.6.3 The scheme has been developed with the local authorities and is administered by Rhondda Cynon Taff Council on behalf of the Welsh Government.

6.6.4 Each participating local authority will have an allocation each year and will be responsible for undertaking surveys of the properties to identify and recommend the qualifying works for grant funding.

6.7 ***Integration (across service areas)***

Not applicable to this report

6.8 ***Decarbonisation and Reducing Carbon Emissions***

Not applicable to this report

6.9 ***Integrated Impact Assessment*** *(complete an impact assessment to consider how the decision might help to reduce the inequalities of outcome associated with socio-economic disadvantage).*

Not applicable to this report

7. ***Monitoring Arrangements*** *State how the work will be monitored e.g. through scrutiny or directorate performance management arrangements*

7.1 To assess the effectiveness of the premiums and ensure information on their use is clearly made available to local council taxpayers, the Welsh Government expects local authorities to report on the implementation of the premiums and the additional revenue generated.

7.2 Welsh Government require specific reporting of premium income. Existing software houses are undertaking software updates to provide this information. There will be a cost to this software and it is anticipated that this will be paid for out of any premium income raised.

Background Documents / Electronic Links



Appendix 1 -
Statutory CTax Exemp



Appendix 2 - WG
Guidance.pdf



Appendix 3 -
Counsultation Questic



Appendix 4 -
Counsultation Respons



Appendix 5 - Draft
Policy.pdf