



SPECIAL CABINET– 20TH MARCH 2024

SUBJECT: CONSULTATION OUTCOME - PROPOSALS TO IMPLEMENT COUNCIL TAX PREMIUMS ON LONG-TERM EMPTY PROPERTIES AND SECOND HOMES

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

1.1 This report provides Cabinet with the results of the public consultation which it agreed to undertake on the proposed introduction of Council Tax Premiums on long-term empty properties and second homes in the County Borough.

2. SUMMARY

2.1 The report to Cabinet on 13 December 2023 set out the conditions where council tax premiums can be applied to both long-term empty dwellings and second homes. Cabinet agreed to launch a public consultation on the levels of premiums that could be applied to both long-term empty dwellings and second homes. The discretion given to Councils to charge premiums is intended to be used as part of a wider strategy to help Councils to: -

- a) bring long-term empty homes back into use to provide safe, secure, and affordable homes;
- b) support Councils in increasing the supply of affordable housing and enhancing the sustainability of local communities; and
- c) prevent properties from becoming long-term problematic properties in the first place.

2.2 Most Welsh Councils have now adopted premiums and Caerphilly County Borough Council is in a minority of authorities yet to do so.

2.3 The consultation proposed a flat rate premium of 100% for second homes and stepped premiums on long-term empty properties, increasing based on the length of time properties have been empty.

2.4 This report provides details of the results of the consultation exercise and sets out the options for consideration.

2.5 The first determination to charge a premium on second homes must be made by

Council at least one year before the beginning of the financial year to which it relates (section 12B (3) of the Local Government Finance Act 1992). For long-term empty dwellings, Welsh Government's statutory guidance is that the first determination is made at least 6 months before such a premium becomes chargeable.

- 2.6 Providing the necessary determinations are made by full Council before 01 April 2024, council tax premiums within the county borough could be introduced from 01 April 2025.

3. RECOMMENDATIONS

- 3.1 Cabinet is asked: -

3.1.1 to review and consider the consultation feedback attached at Appendix A of this report; and

3.1.2 to recommend to Council the implementation of the following premiums from 01 April 2025: -

Class of dwelling	Premium
Second Homes	100%
Long-Term Empty Properties: -	
Empty longer than 2 years	100%
Empty longer than 3 years	200%
Empty longer than 5 years	300%

4. REASONS FOR THE RECOMMENDATIONS

4.1 To provide Cabinet with the results of the public consultation and to propose the introduction of Council Tax Premiums on long term empty properties and second homes to Full Council.

4.2 Implementing Council Tax premiums for long-term empty properties and second homes is intended to be used as part of a wider strategy to help the Council encourage owners to bring properties back into use and reduce the number of unoccupied and underused properties across the county borough.

5. THE REPORT

5.1 Currently, within the county borough, unoccupied and furnished dwellings (second homes) and unoccupied and unfurnished dwellings (long-term empty properties) are subject to 100% of the standard council tax amount being charged for each dwelling. These policies have been in place since 01 April 1998 for second homes and from 01 April 2005 for long-term empty properties; the determinations were reaffirmed by full Council at its meeting on 17 July 2018. In effect, the current policies disapply the default 50% discount that would otherwise apply to such dwellings. Had the Council not already done this, it would have needed to make a determination to this effect as part of any decision to introduce council tax premiums.

5.2 From 01 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 second homes and long-term empty properties. 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 second homes and or long-term empty properties is therefore a decision to be made by each Council.

5.3 The Housing (Wales) Act 2014 also provides regulations which make exceptions to the premiums. These are set out in the Council Tax (Exceptions to Higher Amounts) (Wales) Regulations 2015 and amended by The Council Tax (Exceptions to Higher Amounts) (Wales) (Amendment) Regulations 2023.

5.4 From 01 April 2023, the relevant regulations have been updated by The Council Tax (Long-Term Empty Dwellings and Dwellings Occupied Periodically) (Wales) Regulations 2022, following a Welsh Government consultation exercise to allow Councils to charge a maximum premium of up to 300% on top of the standard rate of council tax.

5.5 **HIGHER AMOUNTS (PREMIUMS) FOR LONG-TERM EMPTY DWELLINGS**

5.5.1 For the purposes of charging a premium, 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**.

5.5.2 In determining the length of time a dwelling has been empty, no account can be taken of any period before 01 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. Use of a property for less than six weeks does not give rise to a new exemption period.

5.5.3 Where a Council makes a determination to charge a premium on long-term empty dwellings, it may specify different percentages (up to a maximum of 300%) for different dwellings based on the length of time for which they have been empty.

5.5.4 A Council may make a determination to charge a premium for a financial year, but only before the beginning of the year. In exercising its functions, the Council must also have regard to any guidance issued by the Welsh Ministers. The current statutory guidance is that Councils should provide at least 6 months' notice before implementing a premium for long-term empty dwellings. However, a longer notice period such as 12 months is preferred to allow taxpayers sufficient time to consider the impact of a higher premium on their own personal financial circumstances and make choices regarding their property, for example, to occupy, sell or let the property.

5.6 **HIGHER AMOUNTS (PREMIUMS) FOR SECOND HOMES**

5.6.1 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'.

5.6.2 Where a Council makes a determination to charge a premium on dwellings occupied periodically, it may specify a percentage of not more than 300%.

5.7 HOUSING STRATEGY CONTEXT

5.7.1 Caerphilly CBC's 'No Use Empty' Private Sector Empty Homes Strategy has a two-pronged approach: -

- a) Preventing properties from becoming problematic empty homes; and
- b) Tackling problematic empty properties on a risk assessment basis.

5.7.2 The Council's Private Sector Empty Homes Strategy (2023 – 2028) was developed in recognition of the high number of private sector empty homes in the County Borough and the Council's commitment to address the problem. It is acknowledged that there is an ongoing national housing crisis, combined with continuing pressure to increase the supply of available good quality homes, and that empty homes are one of Welsh Government's priorities. Most new housing supply will be delivered through new build programmes, and alongside this bringing empty homes back into use can offer an economically viable option, which can also contribute to increasing the affordable housing supply. At the same time, it will have a positive impact on existing communities by improving environmental and social conditions.

5.7.3 Although the Council's Empty Homes Strategy has only been formally in place since March 2023, work to bring empty properties back into use has been undertaken for many years; with the Empty Property Team successful in returning 104 properties into use during 2022/23. The average per annum prior to this was circa 36.

5.7.4 There are still a high number of empty homes across the county borough despite the Council's progress and commitment to bringing them back into use. To continue to address the issue, the recently approved Private Sector Empty Homes Strategy (2023 – 2028) needs to be fully implemented. The proposal to introduce council tax premiums fully supports this new strategy.

5.7.5 A recent analysis of long-term empty dwellings in Caerphilly County Borough showed that a total of 885 homes have been empty for more than 1 year, with 264 empty for more than 5 years. Table 1 below provides a breakdown of long-term empty properties, while table 2 provides the total number of second homes in the county borough. While the Council continues to target these empty homes, providing advice and assistance to the homeowners in order to support them to bring them back into use, it is recognised that additional measures are required to encourage homeowners not to leave these homes empty.

5.7.6 **Table 1 - Analysis of Long-Term Empty Dwellings empty longer than 1 year**

Empty over 5 years	264
Empty between 3 and 5 years	171
Empty between 2 and 3 years	145
Empty between 1 and 2 years	305
Total	885

Data as at 24/02/2024

5.7.7 **Table 2 – Second Homes**

Second Homes	254
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Data as at 24/02/2024

- 5.7.8 With 6,569 active applications on the Common Housing Register (01/10/23) the need for affordable housing in the county borough remains high. The 2018 based Local Housing Market Assessment showed an annual requirement for an additional 282 affordable homes per annum over a 5-year period once the turnover of the existing stock and the development of new homes had been taken into consideration. A new Local Housing Market Assessment is currently being produced and the emerging figures suggest that the requirement for additional affordable housing will remain high. By helping to increase the supply of accommodation throughout the county borough the proposal to introduce council tax premiums may help the Council towards meeting any backlog housing need, whilst supporting its homeless prevention agenda.

6. ASSUMPTIONS

- 6.1 It is assumed that a proportion of the extra revenue raised would support the implementation of the Council's Empty Homes Strategy.
- 6.2 It is also assumed that some of the additional revenue generated from council tax premiums will fund additional staffing resources required within the Council Tax Team to implement and administer premiums.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 The determination to charge a premium under these powers must be made by full Council. However, prior to doing so the Council must give due consideration to its statutory duties to carry out an integrated impact assessment under the Equality Act 2010 including socio-economic duties, the Welsh Public Sector Equality Duties 2011, incorporating its duties under the Well-being of Future Generations (Wales) Act 2015. The Council must also consider engagement and consultation with key stakeholders and the residents of the county borough.
- 7.2 This Integrated Impact Assessment (IIA) indicates that the implementation of Council Tax premiums on second homes and long-term empty properties would fully support the Council's Empty Homes Strategy. This in turn would have a positive impact upon the residents of the County Borough by increasing the number of affordable houses available to buy or rent which in turn would help meet the housing demand of the County Borough. In addition, a proportion of the extra revenue generated from premiums would be used to support the Council's strategy.
- 7.3 By providing opportunities for residents to access a wider range of housing options, the IIA shows that the Strategy will have a positive impact on tackling social disadvantage and promoting the wellbeing of existing and future generations. Helping people achieve affordable home ownership also contributes to several of the Council's wellbeing objectives.
- 7.4 No adverse impact on the promotion of the Welsh language was identified.

Link to IIA

8. FINANCIAL IMPLICATIONS

- 8.1 It is difficult to accurately forecast the additional revenue that may be raised by charging a premium on both long-term empty dwellings and second homes. This is because the Council Tax Team does not currently hold information regarding all of the circumstances that give rise to a dwelling being excepted (excluded) from a premium charge. In particular, dwellings up for sale or to let would be excepted from paying a premium for a period of 1 year which would reduce the estimated additional revenue accordingly. Currently, there is no requirement to record whether a home is up for sale or to let because it has no bearing on the level of council tax charged within this Authority's area where the legislation on premiums has not been introduced. For the purpose of projecting the additional revenue that could be raised by charging premiums, this report assumes that 25% of properties will be excepted from a premium for up to 1 year, with the most common exceptions being properties up for sale or let. These are statutory exceptions set by Welsh Government. The projected additional revenue is also adjusted for an assumed **80%** collection rate.
- 8.2 The table in paragraph 8.10 sets out the potential additional revenue that could be raised by charging premiums on both long-term empty dwellings and second homes. The table provides a basic forecast based on a premium level of 100% for second homes, and a stepped premium of up to 300% on long-term empty properties based on the length of time they have been empty. This would be on top of the 100% standard rate of council tax charged on these dwellings.
- 8.3 All dwellings that may be eligible to be excepted from a premium will need to be identified and reviewed by the Council Tax Team to establish whether the Council's council tax records are correct or need updating in line with statutory Welsh Government exceptions. The largest category is likely to be dwellings up for sale or to let.
- 8.4 Another consideration is that based on feedback from some Councils in Wales that have implemented premiums in recent years, the percentage collection rate in respect of dwellings liable for a premium tends to be lower than the percentage rate achieved in respect of standard council tax charges. This is partly due to the reluctance of some homeowners to pay a higher rate of council tax willingly, but also the fact that some cases can be complex and require a lot of manual intervention by council tax officers, which can involve recovery action taking more than one financial year to be concluded. For this purpose a collection rate of **80%** has been assumed.
- 8.5 The Non-Domestic Rating (Amendment of Definition of Domestic Property) (Wales) Order 2022 changed the criteria for properties being commercially let for short periods as self-catering accommodation. Prior to April 2023 properties that were available to let for at least 140 days, and were actually let for at least 70 days, paid business rates rather than council tax. It was felt that these regulations provided a loophole for second homeowners to move their properties from the council tax banding list to the business rate rating list and avoid paying a premium. From April 2023 the change has increased the thresholds to being available to let for at least 252 days and actually let for at least 182 days in any 12-month period.
- 8.6 It is for the ratepayer to demonstrate to the satisfaction of the Valuation Office Agency (VOA) that a property has met the necessary criteria to be classed as non-domestic property. Consequently, a property used wholly for the purposes of living accommodation is considered domestic and liable for council tax until such time as the ratepayer provides sufficient evidence to the VOA that a particular property is being commercially let and meets the following criteria: -

- it will be available for letting commercially as self-catering accommodation for short periods totalling 252 days or more in the following 12-month period;
- the ratepayer's interest in the property enables them to let it for such periods;
- in the 12 months prior to the day being considered it has been available for letting commercially as self-catering accommodation for short periods totalling 252 days or more; and
- the short periods it has actually been commercially let for is a total of at least 182 days during that period.

Offering the property at excessively high rents may indicate that the operator is not seriously making the property available commercially.

- 8.7 This change is intended to provide a clearer demonstration that the properties concerned are being let regularly as part of genuine holiday accommodation businesses making a substantial contribution to the local economy. Both changes followed a consultation process including businesses, the tourism industry, and local communities.
- 8.8 There will be a need for additional staffing resources within the Council Tax Team to deal with the additional administration of council tax premiums, including valuation tribunal appeals, and new property inspection requirements in respect of dwellings that may fall into one of the exception categories. Subject to Council approving the introduction of premiums, this resource requirement will be considered as part of the 2025/26 revenue budget setting process.
- 8.9 It is proposed that the extra revenue raised through premiums would also partly be used to support the implementation of the Council's Empty Homes Strategy, and therefore be in line with the stated policy intentions of Welsh Government.
- 8.10 **Table 3 – Potential additional revenue based on charging a premium on Second Homes**

	No. of properties	Premium	Additional Revenue
Second Homes	254	100%	£240,743.20

Table 4 – Potential additional revenue based on charging a premium on Long-Term empty properties

	No. of properties	Premium	Additional Revenue
Empty longer than 1 year	305	0%	£0.00
Empty longer than 2 years	145	100%	£127,374.17
Empty longer than 3 years	171	200%	£296,280.72
Empty longer than 5 years	264	300%	£671,883.86
Totals	885		£1,095,538.75

The additional revenue is based on 75% of the full premium. This assumes that 25% of properties will be exempted from a premium for up to 1 year. The most common exceptions will be properties up for sale or let. These are statutory exceptions set by Welsh Government. The projected additional revenue is also adjusted for 80% collection rate. All revenue based on 2024/25 Council Tax charges.

- 8.11 The additional revenue raised from the charging of a premium on long-term empty dwellings and second homes, would need to additionally support the financing of the Empty Property Team (currently employed on a fixed term basis until March 2026) to ensure the continuation of the implementation of the Council's Empty Homes Strategy, and therefore be in line with the stated policy intention of Welsh Government. This resource requirement will also need to be considered as part of the 2025/26 revenue budget setting process.
- 8.12 Cabinet is advised that the Welsh Government expects local authorities to annually publish a summary of the additional revenue generated by implementing premiums and in broad terms how that revenue has been spent. Councils already charging premiums have placed this information their websites.

9. PERSONNEL IMPLICATIONS

- 9.1 There will be a need for additional staffing resources within the Council Tax Team to deal with the additional administration, including valuation tribunal appeals, and new property inspection requirements in respect of dwellings that may fall into one of the exception categories.
- 9.2 The ongoing funding requirement for the Empty Property Team (currently funded on a fixed-term basis until March 2026) will also need to be considered.

10. CONSULTATIONS

- 10.1 An online consultation was launched on 12 January 2024 and ran for 4 weeks closing on 08 February 2024. Respondents were asked for their views on a number of key points around implementing premiums on long-term empty properties and second homes. The proposals included a flat rate premium of 100% for second homes and stepped premiums on long-term empty properties, increasing based on the number of years the property had been empty.

The detailed analysis of the consultation responses is shown in appendix A and is summarised in the following paragraphs.

- 10.2 As part of the consultation process, **1,111** letters were sent to all long-term empty and second homeowners. It was important to engage with this group as they could potentially be negatively impacted by the proposals which in turn could have a disproportionate impact on the results of the consultation.
- 10.3 MPs, Senedd Members, Caerphilly CBC elected members, Estate Agents, Social Landlords and Citizens Advice Bureau were invited by email to take part in the consultation.
- 10.4 To ensure wider outreach and involvement of the community, the consultation was promoted through the Council's website and social media channels. The public consultation was available online via the Join the Caerphilly Conversation webpage and paper copies were available upon request.
- 10.5 The consultation received **143** responses, reflecting a wide range of interests and views. The consultation contained twenty-two questions relating to the proposals to

implement Council Tax Premiums on long-term empty properties and second homes.

10.6 HIGHER AMOUNTS (PREMIUMS) FOR LONG-TERM EMPTY DWELLINGS

- 137 responses were received when asked if the Council should put measures in place to reduce the number of long-term empty properties in Caerphilly. 41% of responses strongly agreed while only 27% strongly disagreed.
- 41% of respondents own a long-term empty property in Caerphilly, with over half (59%) of properties being empty for over a year. There was a multitude of responses to why the property is empty, with the most common reason being 'unable to sell the property' (36%).
- 45% of responses strongly disagreed with proposals to introduce a premium on properties that have been empty for over 12 months, with 30% of responses strongly agreeing.
- 48% of responses strongly disagree with the proposal that the Council should charge higher premiums based on the length of time a property has been empty.

Below is a selection of comments from the consultation response:

Agreeing with proposal

"Well actually I don't think it's tough enough. It is 10 years empty the council should buy it at 80% of it's current market value."

"I agree with the principle. However, there is no excuse to leave a property empty for 5 years + so I would give the 300% from 5+ So up-to 2years 100%, 2-5 200%, 5+ 300%"

"I think 100% premium should be introduced after two years. A year is not long enough given the circumstances in which an empty property may be acquired or inherited. I agree with 200% after four years but would propose six years for the 300% premium."

Disagreeing with proposal

"Empty property does not use council resources, which are paid for by the council tax, if the property was occupied then the resources would be used. Standard rate is enough for resources that are not being used. People have a right to use or not use their properties, and not to be forced into renting them out to destructive tenants or sell them"

"You are trying to dictate what someone does with their property-you have no right to do this. Why are measures always punitive. Why can't you introduce measures to encourage the use of the property instead? Shared relief for owners and renters?- even for a temp period?"

Below are the common themes from the responses to the question 'Are there any alternatives that you think the Council should consider?'

- 1) *The Council purchasing unoccupied properties to utilize as their own local housing stock; and;*
- 2) *For the Council to work with owners to help bring the unoccupied properties back into use.*

Most responses were unaware of any grants or support available for properties that have been long-term empty. For those that were aware, only a small percentage have been successful with their applications.

10.7 HIGHER AMOUNTS (PREMIUMS) FOR SECOND HOMES

From the consultation responses second homes were seen as less detrimental to the neighborhood than long-term empty properties. In general, there was less support for charging premiums on second homes.

- 141 responses were received when asked if the Council should put measures in place to reduce the number of second homes in Caerphilly. Whilst 26% of responses strongly agreed, 41% of responses strongly disagreed with this proposal.
- 48% of respondents disagreed with this proposal to introduce a Council Tax premium on second homes, with 25% strongly agreeing.

Below is a selection of comments from the consultation response:

Agreeing with proposal

“Second homes add to the housing issues and should be discouraged”

“The premium should be the full 300%”

“Increase Council Tax for all if additional money required to build more council homes.”

Disagreeing with proposal

“2nd home ownership in this area could be down to family usage and inheritance and not a holiday home in this area, it’s not exactly vacation territory and is a deprived area especially New Tredegar, the council are assuming owners are well off !, thus is discriminatory.”

“There are only small numbers of second homes in the borough. Accept that some people have reasons for needing a second home, and that they should only pay the same as everyone else. That is, do nothing.”

“Does Caerphilly not want tourism? I have a holiday let on my brother’s farm. It’s not really a house that is designed for a long term occupancy. It’s only just started so I haven’t got enough occupancy to qualify for business rates. What happens to these properties with this change? Where are the tourists going to stay?”

Below are a selection of comments to the question ‘Are there any alternatives that you think the Council should consider?’

“Encourage second owners to let houses for short-term tenancies (emergencies, for those really in need), and guarantee that it’s a short term occupancy.”

“Make an offer to buy empty second homes”.

“Perhaps the council could build more affordable houses”

The most frequent concerns expressed were that a blanket policy of higher rates will unfairly impact people with individual circumstances beyond their control and that it is unreasonable to be charged any or higher Council Tax on properties that are empty as these properties make no demands on the services they perceive Council Tax to be paid for.

11. STATUTORY POWERS

- The Housing (Wales) Act 2014 (Commencement No. 5) Order 2015.
- Sections 12A and 12B of The Local Government Finance Act 1992 as inserted by Section 139 of The Housing (Wales) Act 2014.
- The Council Tax (Exceptions from Higher Amount) (Wales) Regulations 2015 No. 2068.
- The Council Tax (Long-term Empty Dwellings and Dwellings Occupied Periodically) (Wales) Regulations 2022 No. 370.
- The Council Tax (Exceptions to Higher Amounts) (Wales) (Amendment) Regulations 2023 No. 253.
- The Non-Domestic Rating (Amendment of Definition of Domestic Property) (Wales) Order 2022

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Appendices: -

Appendix A - Council Tax Premiums Consultation Responses

Background Papers: -

Cabinet (13/12/23) – Consultation on Proposals to Implement Council Tax Premiums on
Long-Term Empty Properties and Second Homes