



## **NEATH PORT TALBOT COUNTY BOROUGH COUNCIL**

### **CABINET**

**28<sup>th</sup> June 2023**

### **REPORT OF CHIEF FINANCE OFFICER – HUW JONES**

#### **Matter for Decision**

**Wards Affected: All**

#### **Council Tax Premiums – Long Term Empty Homes and Second Homes**

#### **Purpose of the Report**

The purpose of this report is to:

- Provide information to members on the discretionary powers that the Council has to charge higher amounts of Council Tax (a premium) on long term empty homes (LTE) and second homes (SH), as provided for by the Housing (Wales) Act 2014.
- Seek approval from members to initiate a consultation exercise on the proposed use of these powers in respect of LTE and SH.
- Seek approval from members to bring back the results of the consultation exercise in order for a determination to be made on the levels of Council Tax applicable for LTE properties and SH.

#### **Background**

From the 1<sup>st</sup> 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.

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:

- Number of LTE and SH in the area
- Impact on LTE and SH on property values
- Potential impact on public services
- Potential impact on the local community
- Potential impact on the housing supply
- Other measures available to authorities to help bring empty properties back into use

The discretion given to local authorities to charge a premium is intended to be a tool to help authorities to bring long term empty properties back into use to provide safe, secure affordable homes; support local authorities in increasing the supply of affordable homes; and enhancing the sustainability of local communities.

The WG guidance outlines a number of exceptions where premiums cannot be charged on empty homes and second homes which are detailed below –

<b>Classes of Dwelling</b>	<b>Definition</b>	<b>Application</b>
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	

## Current Position / Proposal

Up to the 1<sup>st</sup> April 2020 NPTCBC granted a 50% discount on LTE and a 25% discount on SH. From the 1<sup>st</sup> April 2020 members decided to remove the discounts and charge 100% Council Tax on LTE and SH.

A LTE dwelling is defined as a dwelling, which is both unoccupied and substantially unfurnished for a continuous period of at least one year. 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 dwelling's status as a long-term empty dwelling by taking up residence or installing furniture for a short period.

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).

Should a 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 to provide a prescribed period of notice before charging a premium. Any Council would be required 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 the best part of 9 months available to undertake a consultation in order to make a decision before 31<sup>st</sup> March 2024. This will satisfy the requirement to provide twelve months' notice so the premiums can be effective for the 2025/26 financial year.

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:

	<b>Long Term Empty Homes Premium</b>				
	<b>25%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>Total</b>
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
<b>Total Wales</b>	<b>708</b>	<b>3342</b>	<b>0</b>	<b>2668</b>	<b>6718</b>

Neath Port Talbot's latest data (6<sup>th</sup> February 2023) shows that there are 892 LTE homes in the borough. The table below provides additional information in relation to these properties by length of time empty:

<b>Period</b>	<b>Number of LTE</b>
1 – 5 years	633
5 – 10 years	125
Over 10 years	134
<b>Total</b>	<b>892</b>

The decision to charge a council tax premium on long term empty properties is part of a wider strategy to try to encourage home owners to return their properties to good use. As part of the strategy homeowners will be signposted to Welsh Government's 'Houses into Homes' loan scheme which is designed to provide financial assistance to bring long term empty properties back into residential use.

The Head of Planning and Public Protection is supportive of this proposal as it will help the broader work bringing long term empty properties back into positive use

### Second Homes

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".

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:

	<b>Second Homes Premium</b>				
	<b>25%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>Total</b>
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
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
<b>Total Wales</b>	<b>2692</b>	<b>3784</b>	<b>0</b>	<b>8824</b>	<b>15300</b>

Currently this Council has 525 properties which are classed as second homes that currently pay 100% charge.

Pursuant to 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 2025, a billing authority must make a determination before 1st April 2024.

### Impact on tourism

Members should note that there may be an impact on local tourism if a premium is charged on second homes as they may be being used currently as holiday homes. It is not possible to determine how many of the current 525 second homes are actually being used as holiday homes.

### Consultation Process on LTE and SH

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 an integrated impact assessment. 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.

It is proposed that a premium of 100% be charged on both long term empty homes and second homes and this will be the basis of a public consultation.

Following the consultation, should this 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 and second homes is introduced and effective from 1st April 2025.

The recommendation to introduce the premium on LTE and SH at the same time is to prevent those LTE properties becoming minimally furnishing so they become a SH to avoid the premium.

## **Financial Impact**

The charging of a 100% premium on long-term empty dwellings and second homes would raise additional revenue through council tax collection. Based on current numbers it is estimated that this additional income would be in the region of £2 million per annum.

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.

## **Integrated Impact Assessment**

The first stage assessment, attached at Appendix 1, has indicated that a more in-depth assessment is not required for a decision to consult though further consideration will be given to these matters during the consultation and when reports are placed before members for future decision making.

## **Valley Communities Impacts**

No implications over and above the impact on all communities within Neath Port Talbot.

## **Workforce impacts**

All LTE accounts will need to be reviewed to determine if any exemption from the premium is applicable. Staff will need to deal with the associated workload in dealing with reviews, appeals and monitoring the status of the accounts.

Additional resources will be required to inspect properties where suspicions arise of bogus tenants are deemed to have occupied a



property to avoid the premium applied. The cost of the employee could be funded from the additional revenue raised.

### **Legal impact**

There are no legal impacts arising from this report. These actions are permissible pursuant to the legislation detailed above.

### **Risk management**

There are no risk management issues arising from this report.

### **Consultation**

There is a requirement under the Constitution for external consultation on this item, details of which are set out in the report.

### **Recommendations**

It is recommended that having due regard to the Integrated Impact Screening Assessment that members agree to:

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

### **Reason for proposed decision**

To determine if Council Tax premiums should be on long term empty properties and second homes.

### **Implementation of decision**

The decision is proposed for implementation after the three day call in period.

## **Appendices**

Appendix 1 – First Stage Integrated Impact Assessment

### **List of background papers**

The Housing (Wales) Act 2014.

Council Tax (Exceptions from Higher Amount Regulations) 2015

WG Guidance on the Implementation of the Council Tax Premiums on long Term Empty homes and Second Homes in Wales.

The Council Tax (Long-term Empty Dwellings and Dwellings Occupied Periodically) (Wales) Regulations 2022.

### **Officer contact**

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### **Impact Assessment - First Stage**

1. Details of the initiative

<b>Initiative description and summary:</b> Council Tax Premium on Long-term Empty Dwellings and Second Homes
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<b>Service Area:</b> Revenues
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<b>Directorate:</b> Chief Executives
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2. Does the initiative affect:

3.

	Yes	No
Service users		√
Staff	√	
Wider community	√	
Internal administrative process only		√

## 4. Does the initiative impact on people because of their:

	Yes	No	None/ Negligible	Don't Know	Impact H/M/L	Reasons for your decision (including evidence)/How might it impact?
Age		√				The changes to policy will apply to all taxpayers who have dwellings which meet the criteria irrespective of their age, therefore at this stage there appears to be no impact on this particular protected characteristic. However, as part of the consultation process we will capture data to determine if there is a potential impact due to age.
Disability		√				The changes to policy will apply to all taxpayers who have dwellings which meet the criteria irrespective of their disability, therefore at this stage there appears to be no impact on this particular protected characteristic. However, as part of the consultation process we will capture data to determine if there

						is a potential impact due to disability.
Gender Reassignment		√				The changes to policy will apply to all taxpayers who have dwellings which meet the criteria irrespective of their gender reassignment, therefore at this stage there appears to be no impact on this particular protected characteristic. However, as part of the consultation process we will capture data to determine if there is a potential impact due to gender reassignment.
Marriage/Civil Partnership		√				The changes to policy will apply to all taxpayers who have dwellings which meet the criteria irrespective of their marriage/civil partnership status, therefore at this stage there appears to be no impact on this particular protected characteristic. However, as part of the consultation process we will capture data to determine if there is a potential impact due to marriage/civil partnership.
Pregnancy/Maternity		√				The changes to policy will apply to all taxpayers who have

						<p>dwellings which meet the criteria irrespective of their pregnancy/maternity, therefore at this stage there appears to be no impact on this particular protected characteristic. However, as part of the consultation process we will capture data to determine if there is a potential impact due to pregnancy/maternity.</p>
Race		√				<p>The changes to policy will apply to all taxpayers who have dwellings which meet the criteria irrespective of their race, therefore at this stage there appears to be no impact on this particular protected characteristic. However, as part of the consultation process we will capture data to determine if there is a potential impact due to race.</p>
Religion/Belief		√				<p>The changes to policy will apply to all taxpayers who have dwellings which meet the criteria irrespective of their religion/belief, therefore at this stage there appears to be no impact on this particular protected characteristic.</p>

						However, as part of the consultation process we will capture data to determine if there is a potential impact due to religion/belief.
Sex		√				The changes to policy will apply to all taxpayers who have dwellings which meet the criteria irrespective of their sex, therefore at this stage there appears to be no impact on this particular protected characteristic. However, as part of the consultation process we will capture data to determine if there is a potential impact due to sex.
Sexual orientation		√				The changes to policy will apply to all taxpayers who have dwellings which meet the criteria irrespective of their sexual orientation, therefore at this stage there appears to be no impact on this particular protected characteristic. However, as part of the consultation process we will capture data to determine if there is a potential impact due to sexual orientation.

## 5. Does the initiative impact on:

	Yes	No	None/ Negligible	Don't know	Impact H/M/L	Reasons for your decision (including evidence used) / How might it impact?
People's opportunities to use the Welsh language		√				It is not anticipated that the implementation of Council Tax premiums will affect people's opportunity to use the Welsh language, however as part of the consultation process we will capture data to determine if there is a potential impact.
Treating the Welsh language no less favourably than English		√				It is not anticipated that the implementation of Council Tax premiums will treat the Welsh language no less favourably than English however as part of the consultation process we will capture data to determine if there is a potential impact.



## 6. Does the initiative impact on biodiversity:

	Ye s	N o	None/ Negligibl e	Don' t kno w	Impa ct H/M/L	Reasons for your decision (including evidence) / How might it impact?
To maintain and enhance biodiversity	√					Bringing empty homes back into use will provide refurbished buildings which meet higher energy efficiency standards and will possibly support wildlife and biodiversity.
To promote the resilience of ecosystems, i.e. supporting protection of the wider environment, such as air quality, flood alleviation, etc.	√					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. Bringing empty homes back into use will provide refurbished buildings which meet higher energy efficiency standards and contribute to a transition of lower carbon operations and communities.

## 7. Does the initiative embrace the sustainable development principle (5 ways of working):

	Yes	No	Details
<b>Long term</b> - how the initiative supports the long term well-being of people	✓		It is thought that there could be a positive impact on well-being, increasing housing supply and bringing properties back into use for a rental or purchase could potentially enhance the sustainability of local communities.
<b>Integration</b> - how the initiative impacts upon our wellbeing objectives	✓		Increasing housing supply locally and bringing properties back into the currently short supply of local private rental sector has the potential to benefit a broad spectrum of people who have been impacted by the shortage of affordable homes in the borough including but not limited to: <ul style="list-style-type: none"> <li>• Those of working age and on relatively low incomes who are adversely impacted by the lack of rental housing.</li> <li>• Those with specific mobility issues who may struggle to find accommodation, which is both affordable, and suitable, according to their needs.</li> <li>• Those who require alternative accommodation because they have been subject to domestic violence, abuse or harassment.</li> <li>• Local residents who have refugee status. <ul style="list-style-type: none"> <li>• Families requiring larger properties</li> </ul> </li> </ul>
<b>Involvement</b> - how people have been involved in developing the initiative	✓		A consultation exercise will be undertaken. In addition, should application of the premiums be

			approved by members the taxpayers affected will be informed of the changes in sufficient time for them to consider the impact and determine if they will retain their unoccupied property or look at alternative options.
<b>Collaboration</b> - how we have worked with other services/organisations to find shared sustainable solutions			Discussions have been ongoing with other local authorities to identify ways they have sought to implement these powers and the consultation exercise will provide opportunities for individuals/organisations to comment and provide an overview of any observations.
<b>Prevention</b> - how the initiative will prevent problems occurring or getting worse	✓		The potential for bringing empty or largely unused properties back into use for the benefit of the wider Neath Port Talbot community will also assist in reducing crime and anti-social behaviour sometimes associated with empty properties. The initiative of charging Council Tax premiums should increase housing supply and prevent an increase in empty properties in the borough in the future.

**8. Declaration - based on above assessment (tick as appropriate):**

A full impact assessment (second stage) <b>is not</b> required	X
Reasons for this conclusion	

It should be noted that at this stage (embarking on a consultation) there are no impacts adversely affected which would require a full impact assessment. However, part of the consultation process we will capture data to determine if there is a potential impact on any of the above factors and a full integrated impact assessment will be included for future decision making reports.

A full impact assessment (second stage) **is** required

Reasons for this conclusion

	<b>Name</b>	<b>Position</b>	<b>Date</b>
Completed by	Ann Hinder	Principal Council Tax Officer	20.06.23
Signed off by	Huw Jones	Chief Finance Officer	20.06.23