



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CABINET

21ST NOVEMBER 2019

**COUNCIL TAX PREMIUMS –
LONG TERM EMPTY PROPERTIES AND SECOND HOMES**

**REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES IN DISCUSSION
WITH COUNCILLOR M NORRIS**

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1. PURPOSE OF THE REPORT

- 1.1 This report provides information concerning discretionary powers that the Council has to charge higher amounts of Council Tax (a premium) on certain properties provided for by the Housing (Wales) Act 2014.
- 1.2 Having regard to these powers, to consider a formal period of consultation on a proposal to introduce a premium.

2. RECOMMENDATIONS

It is recommended that Cabinet:

- 2.1 Note the details of the discretionary powers relating to Council Tax Premiums as outlined in this report;
- 2.2 Agree to initiate a consultation exercise on the proposed use of these powers in respect of empty properties as set out in Section 9; and
- 2.3 Agree that a report, including the results of the consultation exercise, be presented to full Council to consider and determine the proposed way forward.

3. REASONS FOR RECOMMENDATIONS

- 3.1 The discretion given to Councils to charge a premium 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; and
 - b) Support Councils in increasing the supply of affordable housing and enhancing the sustainability of local communities.

3.2 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 equality impact assessments under the Equality Act 2010 and the Welsh Public Sector Equality Duties 2011, as well as considering engagement and consultation with key stakeholders and the residents of the County Borough.

4. **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 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 or long term empty properties (or both) is, therefore a decision to be made by each Council.

3.2 The Act also provides regulations which make exceptions to the premiums and these are set out in the Council Tax (Exceptions to Higher Amounts) (Wales) Regulations 2015 and are detailed in part 5 of this report.

5. **EXCEPTIONS TO THE COUNCIL TAX PREMIUMS**

5.1 A premium cannot be charged on a dwelling that falls within one of the seven Classes of Dwellings listed in Table 1. The Council Tax (Exceptions to Higher Amounts) (Wales) Regulations 2015, sets out the following exceptions:

Table 1 – Classes of Exceptions to Higher Amounts

Class	Definition	Application
Class1	Dwellings being marketed for sale – time limited for one year.	Second Homes and Long-Term Empty Properties
Class 2	Dwellings being marketed for let – time limited for 1 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	

5.2 Welsh Government have provided guidance in relation to assisting Councils in the application of the exceptions.

6. HIGHER AMOUNTS (PREMIUMS) FOR LONG TERM EMPTY DWELLINGS

- 6.1 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**.
- 6.2 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.
- 6.3 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 100 per cent) for different dwellings based on the length of time for which they have been empty.
- 6.4 Should the Council determine to charge a premium on this type of property then notice of the decision must be published within 21 days of that decision but there is no requirement for the Council to provide a prescribed period of notice before charging a premium e.g. if Council determined in January/February 2020, after consulting, to charge a higher amount for this category of property then this could be effective from 1st April 2020.
- 6.5 Recent analysis of council tax data shows that 40% of properties classed as Long Term Empty are owned by people who do not live in Rhondda Cynon Taf.

7. HIGHER AMOUNTS (PREMIUMS) FOR SECOND HOMES

- 7.1 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".
- 7.2 In order for a premium to apply to dwellings occupied periodically, a Council must make its first determination under section 12B of the LGFA 1992, 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 2021, a determination must be made before 1st April 2020.
- 7.3 Recent analysis of council tax data shows that 38% of properties classed as second homes are owned by people who do not live in Rhondda Cynon Taf.

8. CURRENT POLICY AND LEVELS OF LONG TERM EMPTY PROPERTIES AND SECOND HOMES

- 8.1 Cabinet will recall that on 23rd October 2019, Council re-affirmed not to allow a Council Tax Discount on second homes or long term empty dwellings. The level of discount for second homes (i.e. 0%) has been unchanged since 1st April 1996 when this Council was formed but until recently (1st April 2018) a long term empty dwelling would attract a 50% council tax discount.

- 8.2 However, from 1st April 2018, owners of long-term empty dwellings have been required to pay a full council tax bill (i.e. no discount is allowed). Members took this decision as part of the Council's work in delivering its Empty Homes Strategy and the impact has been that the number of long-term empty dwellings has fallen by 15% since the discount was removed.
- 8.3 Latest data (October 2019) shows there are still 2,275 long-term empty properties in the County Borough. Appendix 1 provides additional information in relation to the distribution of these properties across the communities of Rhondda Cynon Taf and the length of time that these properties have stood empty.
- 8.4 There are a smaller number of second homes in Rhondda Cynon Taf (227) – Appendix 2 provides some additional information in regards to these.

9. PROPOSAL TO CHARGE A COUNCIL TAX PREMIUM

- 9.1 The Council remains committed to maximising the availability of good quality housing for our residents and upon reducing the number of long standing empty properties, which have a negative impact on our communities.
- 9.2 It is proposed that in order to support this objective, a Council Tax Premium is introduced on long-term empty properties at 50% for those which have been empty for up to 5 years. The level of premium would then increase to 100% for those properties which have been empty for more than 5 years. This means that the amount of Council Tax which is payable on empty properties would be as shown in Table 2.

Table 2: Proposed Council Tax Liability for Empty Properties

Length of Time Property has been Empty	No of Properties	Current Council Tax Liability	Proposed Council Tax Liability
0 – 6 Months	210	Nil	Nil
7 – 12 Months	277	100%	100%
1 – 5 Years	1,126	100%	150%
5 Years +	662	100%	200%

- 9.3 Note that in assessing the length of time a property has been empty, and as set out at para 6.2, no account is taken of periods before 1st April 2016. This means that the 200% liability proposed for properties that have been empty for more than 5 years cannot begin until 1st April 2021 at the earliest.
- 9.4 It is not proposed to charge a premium in respect of second homes.
- 9.5 It is proposed that the premium is introduced and effective from 1st October 2020. 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.

- 9.6 The Council Tax legislation already has a number of statutory exemptions defined and clearly these will continue unaffected by the proposal set out above. A schedule of statutory exemptions is set out at Appendix 3 for completeness.

10. EQUALITY AND DIVERSITY IMPLICATIONS

- 10.1. These will be considered as part of the consultation exercise.

11. CONSULTATION

- 11.1. A consultation exercise will be undertaken on this proposal.

12. FINANCIAL IMPLICATION(S)

- 12.1. The charging of a premium on long-term empty dwellings will raise additional revenue through the council tax. This is estimated (initially) at £1M (full year impact), but will be subject to review and confirmation pending the identification and application of the exceptions set out in Table 1 and noting the delay to the commencement of the post 5 year period as set out in para 9.3 . It is proposed that the extra revenue raised would initially be ring-fenced to be used as part of the Council's Empty Homes Strategy, and therefore be in line with the stated policy intentions of Welsh Government.

13. LEGAL IMPLICATIONS

- 13.1. The legal framework for the implementation of premiums are referenced throughout this report and are summarised below:
- Housing (Wales) Act 2014
 - Local Government Finance Act 1992, Sections 12A and 12B;
 - Council Tax (Exceptions to Higher Amounts) (Wales) Regulations 2015

14. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT

- 14.1. The charging of Higher Amounts supports the Council's work in delivering its Empty Homes Strategy and in doing so contributes to the delivery of Corporate Plan priorities and well-being goals as set out in the Well-being of Future Generations Act.

15. CONCLUSION

- 15.1. The Council has discretionary powers to charge higher amounts (premiums) in relation to council tax for long-term empty dwellings and second homes with a view to bringing empty properties back into use, increasing the supply of affordable housing and enhancing the sustainability of local communities.
- 15.2. Despite the removal of a 50% discount in the council tax in April 2018, there remain over 2,000 long-term empty properties across Rhondda Cynon Taf. The prospect of paying a premium on the council tax bill may encourage more property owners to bring their empty homes back into use in a timelier manner.
- 15.3 This report recommends that in relation to long-term empty properties, a consultation exercise is conducted to gauge the views of residents and property owners on the proposal as set out in this report.

APPENDIX 1 – DISTRIBUTION OF LONG TERM EMPTY PROPERTIES BY COMMUNITY AREA AND PROPERTY BAND

Community Area	< 6 Mths	6 > 12 Mths	12-18 Mths	18-24 Mths	2-3 Yrs	3-5 Yrs	5-10 Yrs	10+ Yrs	Total
ABERAMAN	16	20	23	3	15	19	19	14	129
ABERCYNON	4	4	9	3	12	6	9	12	59
ABERDARE	21	26	26	4	22	31	30	12	172
CWM CLYDACH	6	7	7	3	7	11	18	7	66
CWMBACH		3	3	2	5	3	2	2	20
CYMMER	4	4	11	4	7	8	11	3	52
FERNDALE	4	7	14	2	9	14	19	10	79
GILFACH GOCH	1	5	2	1		3	4	4	20
HIRWAUN	3	8	6		3	4	8	4	36
LLANHARAN	3	2	8	2	2	6	2	6	31
LLANHARRY		1	3			2	2	1	9
LLANTRISANT	9	7	10		8	9	6	2	51
LLANTWIT FARDRE	3	12	11		3	5	6	4	44
LLWYDCOED	2	1		1	3	2	2	1	12
LLWYNYPIA	4	3	1		1	6	6	4	25
MAERDY	3	4	7	1	9	10	8	3	45
MOUNTAIN ASH	7	8	12	6	8	16	17	5	79
PENRHIWCEIBER	10	12	15	3	7	15	26	16	104
PENTRE	11	15	18	3	10	12	21	7	97
PENYGRAIG	5	4	10	4	7	8	8	7	53
PENYWAUN		3	2			2	1	1	9
PONTYCLUN	2	6	7	3	4	2	3	1	28
PONTYPRIDD	27	39	45	6	37	39	34	24	251
PORTH	5	8	13	2	4	13	18	7	70
RHIGOS	1	1	3		1	1	1	1	9
TAFFS WELL	1	5	2	2	4	6	2		22
TONYPANDY	4	4	9	1	10	5	7	7	47

TONYREFAIL	8	3	9	3	14	7	13	5	62
TREALAW	6	7	10	1	7	9	5	2	47
TREHERBERT	8	7	15	7	16	16	22	12	103
TREORCHY	11	15	29	1	16	29	50	10	161
TYLORSTOWN	12	7	22	4	25	26	35	23	154
YNYSHIR	1	7	9	1	2	3	7	1	31
YNYSYBWL	4	2	4	2	5	9	5	2	33
YSTRAD	4	10	12	3	7	14	10	5	65
Grand Total	210	277	387	78	290	371	437	225	2275

Property Band	< 6 Mths	6 > 12 Mths	12-18 Mths	18-24 Mths	2-3 Yrs	3-5 Yrs	5-10 Yrs	10+ Yrs	Total
A	139	160	248	49	171	229	322	158	1476
B	46	64	81	21	73	84	72	35	476
C	18	26	38	2	27	31	25	17	184
D	3	11	7	1	12	15	6	6	61
E	2	9	3	1		7	6	2	30
F	1	3	4		3	1	1	3	16
G	1	3	1	1	1				7
H			1			1			2
I					1	2	1		4
Temporary Band*		1	4	3	2	1	4	1	16
Not Banded**								3	3
Grand Total	210	277	387	78	290	371	437	225	2275

APPENDIX 2 - DISTRIBUTION OF SECOND HOMES BY COMMUNITY AREA AND PROPERTY BAND

Row Labels	A	B	C	D	E	F	G	Grand Total
ABERAMAN	11	1	1					13
ABERCYNON	1	2	1					4
ABERDARE	7	5	2		3		2	19
CWM CLYDACH	4							4
CWMBACH		1		1				2
CYMMER	2							2
FERNDALE	5							5
GILFACH GOCH	2	1			1			4
HIRWAUN	3	1						4
LLANHARAN		2		1	1			4
LLANHARRY		1	1					2
LLANTRISANT		2	3	1				6
LLANTWIT FARDRE		3	5	2	1	1		12
LLWYDCOED	1	2						3
LLWYNYPIA	3							3
MAERDY	3							3
MOUNTAIN ASH	3	3						6
PENRHIWCEIBER	7							7
PENTRE	5	2	1					8
PENYGRAIG		6						6
PENYWAUN	1			1				2
PONTYCLUN			1	2	1	1	1	6
PONTYPRIDD	3	15	8	4			1	31
PORTH	3	2	1	1				7
TAFFS WELL			2	1	1			4
TONYPANDY	1		1					2
TONYREFAIL	1	5	1	1				8

TREALAW	3	3						6
TREHERBERT	9		1	1			1	12
TREORCHY	7	4		1				12
TYLORSTOWN	7							7
YNYSHIR	3	1						4
YNYSYBWL	2		1					3
YSTRAD	5	1						6
Grand Total	102	63	30	17	8	2	5	227

**Temporary Band awaiting confirmation from the Valuation Office Agency e.g. new build property*

***Property temporarily removed from the Valuation List e.g. property beyond economic repair*

APPENDIX 3 – SCHEDULE OF COUNCIL TAX EXEMPTIONS

Class A	Dwellings requiring or undergoing major repair or structural alteration to render it habitable
Class B	Unoccupied dwellings owned by a charity
Class C	New Properties
Class C	Dwellings that have become vacant
Class D	Persons detained elsewhere
Class E	Persons living in a care home or a hospital
Class F	Unoccupied dwelling where the liable person is deceased and waiting for probate or letters of administration to be granted (exemption continues for up to six months after being granted)
Class G	Occupation prohibited by law
Class H	Unoccupied dwelling held available for a Minister of Religion
Class I	Dwelling left unoccupied by a person requiring personal care
Class J	Dwelling left unoccupied by a person providing care
Class K	A Dwelling left unoccupied by a student
Class L	Unoccupied dwelling where there is a mortgagee in possession
Class M	Halls of residence
Class N	Dwellings occupied solely by students, school or college leavers or by certain spouses or dependents of students
Class O	Armed Forces Accommodation (UK Forces)
Class P	Members and Dependents of Visiting Forces
Class Q	A dwelling left empty by a bankrupt
Class R	Caravan Pitches and Moorings for Boats
Class S	Properties occupied solely by persons under 18
Class T	An unoccupied annexe to an occupied dwelling
Class U	Properties occupied solely by severely mentally impaired persons (SMI)
Class V	Dwellings occupied by Diplomats
Class W	Occupied Annexes
Class X	Dwellings occupied by Care Leavers