

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE
DATE:	12 NOVEMBER 2018
SUBJECT:	COUNCIL TAX PREMIUMS - SECOND HOMES AND LONG-TERM EMPTY PROPERTY (REVIEW OF FIRST YEAR)
PORTFOLIO HOLDER(S):	COUNCILLOR ROBIN WYN WILLIAMS (PORTFOLIO HOLDER – FINANCE)
HEAD OF SERVICE:	MARC JONES HEAD OF FUNCTION (RESOURCES) & SECTION 151 OFFICER
REPORT AUTHOR:	GERAINT H. JONES (REVENUES AND BENEFITS SERVICE MANAGER)
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LOCAL MEMBERS:	NOT APPLICABLE

A - Recommendation/s and reason/s

RECOMMENDATIONS

1. To note the content of the report reviewing the first year's operation of the Council Tax premium during the 2017/18 financial year and to date for 2018/19.

VARIOUS OPTIONS

To consider the following options and recommend to the Isle of Anglesey County Council (full Council) proposals to adopt:

2. To continue with the policy unchanged and undertake a further review in 2019/20 after a further full year of the policy operationally **OR**
3. Decide –
 - whether the premium should be reduced, remain the same or increased and to what percentage levels?
 - whether the premium should remain the same for both long term empty properties and second homes or should different percentage rates apply?
 - whether a greater percentage of the income raised from the premiums is hypothicated rather than increasing Council Tax income to meet general service costs?
 - whether to undertake a full public consultation.
4. To consider whether additional funding generated from the premium should be allocated to the schemes designed to assist first time buyers, as requested by the Head of Service (Housing).

(**Appendix A** provides details of the estimated income that would apply for different premium percentages for both long term empty properties and second homes)

REASONS AND BACKGROUND

On 10 March 2016, the full Council agreed to disapply any discounts granted for long-term empty dwellings and for dwellings occupied periodically (usually known as second homes) and apply a higher amount of council tax (called a Council Tax premium) to come into effect from 1 April 2017. The full Council set the Council Tax premium at 25% of the standard rate of council tax for both long-term empty dwellings and for dwellings occupied periodically (usually known as second homes).

(Appendix B provides details of premiums applied by other Welsh Authorities and proposed future plans, where known, and their relevant percentage).

The full Council also stated that a review of the Council Tax premiums should be undertaken by the Head of Function (Resources)/Section 151 Officer during 2018/19 after the first full year of operation of the Council Tax premiums. The reason for such a review was –

- to establish if the premiums determined had met the aims of the Executive and the full Council and
- whether, as a consequence, the premium levels determined needed to be varied or revoked when the full Council set its Council Tax requirement for 2019/20 and
- if it was determined that the premium levels required to be varied or revoked, the revised premiums would come into force from 1 April 2019 onwards.

The Executive is reminded of the Welsh Government's aim when it gave discretion to local authorities to charge a premium on top of the standard rate - it was a tool to help local authorities:-

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

In considering whether or not to charge a premium, regard was to be given to these aims and also the particular housing need and circumstances in the Authority's area. Factors that helped the full Council to decide whether to charge a premium or not included –

- the numbers and percentages of long-term empty dwellings or second homes in its area;
- the distribution of long-term empty dwellings or second homes and other housing in 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 the local public services and local community;
- other measures available to the Authority to increase housing supply and to bring back empty properties into use.

As regards the financial implications from disapplying discounts and determining premiums, the Authority was able to retain any additional funds generated by implementing the premiums to spend as it wished. New tax base regulations were passed by Welsh Government negating the need for the Authority's Revenue Support Grant to be adjusted as a consequence of an increase in the tax base. The additional funds generated could be spent by the Authority as it wished, but the Welsh Government encouraged the Authority to use any additional revenue generated to help meet local housing needs, in line with the policy intentions of the premiums.

The Executive, in February 2017, mindful of the policy intentions of the premiums, approved a policy for the implementation of two new schemes to support local first time buyers, to be funded from the additional premium:-

- a) a grant to help first time buyers purchase and renovate an empty home; and
- b) equity loans to help first time buyers

Initially, the policy was restricted to specified town/community council areas, which had the highest numbers of second homes and/or the lowest numbers of homes at lower quartile house prices. However, due to high volumes of enquiries from eligible first time buyers who were purchasing outside of these specified areas, the scheme was extended across Anglesey providing equal and fair home purchase opportunities. (Executive decision taken by the Portfolio Holder for Housing and Supporting Communities, February 2018).

When considering introducing Council Tax premiums, the Executive and full Council had due regard for apparent risks which are summarised below –

- The Council Tax data on long-term empty dwellings and second homes had not been updated regularly since the full Council set a policy of no discounts being applied for such dwellings. The full standard Council Tax is payable on such dwellings. A review undertaken in 2015 by a credit reference company checking their records with that of the Council established that 22% to 25% of long-term empty dwellings or second homes on Council Tax records had a medium to high risk that they were occupied as a person's sole or main residence. No Council Tax premium can be charged on such properties and there was, therefore, a risk that the estimation of the additional income generated could be overstated;
- Would there be an increase in owners refusing or unable to pay the Council Tax premium?
- Would there be an increase in Council Tax premium avoidance by owners in, for example, transferring use to business rates, changing from second homes to long-term empty, attempting to market the property for sale or rent to claim an exception, claiming that the dwelling is occupied or changing sole and main residence?
- Would this lead to a reduction in the domestic property Council Tax Register i.e tax base?
- Would there be an impact on the Council's reputation?
- Would this lead to an increase in the number of appeals and legal challenges?
- How would this impact on the local tourism industry?

In establishing whether the premiums determined have met the aims of the Executive and the full Council, full regard is also taken of the apparent risks noted.

HAVE THE PREMIUMS DETERMINED MET THE AIMS OF THE EXECUTIVE AND THE FULL COUNCIL?

- A.** With regard to the two new schemes established to support first time buyers for both years, 2017/18 and 2018/19 - £170,000 was allocated each year to the Empty Homes Schemes from the additional income raised from charging the premium (£340,000 in total to date). Due to the limited funding available and the demand for the Empty Homes Renovation Grant for First Time buyers exceeding expectation, the launch of the Equity Loans scheme has been deferred.

At the time of writing this report, 7 properties have been returned to use, with a further 7 currently under renovation. By the end of December 2018, it is anticipated that 18 empty properties will be brought back into use and, therefore, this scheme will have supported 18 first time buyers across Anglesey to purchase their own home. There is evidence to demonstrate that the scheme has met its objectives in that -

- it has supported local first time buyers to become the owner of a home that is affordable to them in their area of choice;
- best use has been made of existing housing stock by bringing back into use long term empty homes in need of improvements, which are often a blight on the neighbourhood;
- it provides additional value by supporting local small to medium sized enterprises and other community benefits.

(**Appendix C**, prepared by the Head of Service (Housing), provides a more detailed analysis of the impact of these specific schemes).

B. What income did the Council Tax premium raise in comparison with the budget set?

For 2017/18 -

On 1 April 2017, (the date the Council Tax premium was introduced), 2,307 **second homes** were subject to the premium. This gave an income, net of exceptions, of £761,552 at annual billing for the 2017/18 financial year. By 31 March 2018, 2,212 second homes were subject to the premium, giving an income, net of exceptions, of £781,144 for the 2017/18 financial year. This was an increase in income of 2.6% during the first financial year.

On 1 April 2017 (the date the Council Tax premium was introduced), 694 **long-term empty property** were subject to the premium. This gave an income, net of exceptions, of £211,255 at annual billing for the 2017/18 financial year. By 31 March 2018, 610 long-term empty property were subject to the premium, giving an income, net of exceptions, of £167,911 for the 2017/18 financial year. This was a decrease in income of 20.5% during the first financial year.

This gave, at annual billing, total income raised from Council Tax premium as £972,807 but by year end, for the financial year the total income raised from Council Tax premium was £949,055. By the end of quarter 2 2018/19, a further reduction in Council Tax premium charged of £26,302 in respect of 2017/18 has occurred, reducing the projected income for the first year to £922,753. This is an overall reduction during 18 months in respect of the first financial year of 5.2%.

Having regard to the apparent risks identified of overestimating the income from Council Tax premiums, a budget of £564,000 was set for 2017/18. There was, therefore, a surplus of £385,055 as at 31 March 2018 (£383,130 after allowance for bad debt provision). There was a significant reduction in the income from long-term empty properties during the year, reflecting that they were actually occupied and, therefore, the Council Tax premium could not be applied.

It can be concluded, however, that the income raised from Council Tax premium was in line with expectations and significantly more than the income provided for in the budget, the budget set reflecting a more cautious estimation based on the apparent risks identified. It should be noted that just over 5% erosion has occurred up to quarter 2 2018/19, as regards the 2017/18 income yield from the Council Tax premium.

For 2018/19 –

For 2018/19, there was an average increase in the level of Council Tax of 4.8% giving an expected income from Council Tax premium of £993,660 (based on the figures as at 31 March 2018). At annual billing for 2018/19, total income raised from Council Tax premium was £1,097,504 (£881,628 for second homes and £215,876 for long-term empties).

By the end of the second quarter for 2018/19, the income from premiums on **second homes** had increased to £898,098 (increase of 1.9% by end of quarter 2 from that billed at annual billing) but the income from **long-term empty** had decreased to £194,828 (decrease of 9.8% by the end of quarter 2 from that billed at annual billing). This gives a total Council Tax projected income from the premium at the end of quarter 2 2018/19, of £1,092,926 – a reduction of 0.4% by the end of quarter 2 from that billed at annual billing for 2018/19.

However, after allowing for the 4.8% increase in Council Tax for 2018/19, this is still an increase of 10% in the income generated from Council Tax premiums for 2018/19 as compared to 2017/18. At the end of quarter 2 there were 2,627 second homes and 697 long-term empty property subject to the premiums.

The budgetted income from Council Tax premium, allowed for in the budget for 2018/19 is £648,492. At the end of Quarter 2, there is a projected surplus of £418,132, (£416,041 after allowance for bad debt provision) which also takes into account the downward adjustment for 2017/18 which has occurred in 2018/19.

Income from Council Tax premium, therefore, continues to be in line with expectations. The number of, and income from, long-term empty properties subject to the premium is subject to some degree of volatility as properties move in and out of occupancy and possibly achieving the aim of bringing such property back into use.

However, income from the Council Tax premium with regard to second homes is more stable and has increased. This would suggest that the Council Tax premium of 25% on second homes has not reduced their numbers overall (but also see section **CH.** of this report) and having a Council Tax premium set at 25% of the standard Council Tax does not seem to have affected the elasticity of the potential revenue generated.

C. Has there been an increase in owners refusing or being unable to pay the Council Tax premium for 2017/18?

As at 30 September 2018, there is £13,988 outstanding as unpaid Council Tax premium for 2017/18, giving a collection rate of 98.5% with regard to the premium charged for 2017/18. (This compares favourably with the collection rate for 2016/17, the last financial year before the premium was introduced, which had a collection rate of 98.4% as at 30 September 2017). Total recovery costs of £4,415 remain uncollected for accounts where the premium was due for 2017/18.

There is no evidence to suggest, as regards the Council Tax premium, there has been a general refusal to pay or an inability to pay the Council Tax premium apart from individual cases. 3 appeals were made to the Valuation Tribunal for Wales, all of which were found in favour of the Authority (mainly regarding sole or main residence issues and treatment of annexes), with very few cases of difficulty in the payment of the premium. For these cases the full Council introduced a Council Tax discretionary relief policy, designating a specific class of dwelling where ongoing improvements in respect of certain designated long term empty dwellings where the Council Tax premium would not apply.

CH. Has there been an increase in Council Tax premium avoidance by owners i.e. transferring to business rates, claiming that dwelling is occupied, attempting to market the property for sale or rent to claim an exception etc.?

The level of exceptions that have been granted is shown in **Appendix CH.** Details are provided of the number of exceptions that currently apply (at the end of quarter 2 2018/19). This amounts (in number) to 5% of second homes currently identified as liable to a premium and 4% of long term empty currently identified as liable to a premium. Financially, this has meant a loss of premium income of £25,738 for 2017/18 and £32,306 for 2018/19. Evidence shows that owners are genuinely marketing or seeking to rent a property through the usual channels.

With regard to the possible risk of transference to business rates (and thereby claiming the small business rates relief) an analysis of the Valuation Office's Special Category Description – Holiday Lets (self-catering) shows that 141 properties have transferred to the Rating List from Council Tax in the period 1 April 2017 to 1 April 2018 i.e. properties where the Council Tax premium had applied (with regard to the tax base, this is a band D equivalent reduction of 151 properties). It should be noted that many of these also had their designation for business rates backdated up to 6 years.

To qualify as holiday lets, the taxpayer must prove to the Valuation Officer that the dwelling is available for let for 140 days and has actually been let for 70 days in a 12 month period. Financially, this has meant a loss of premium income of £50,329 for 2017/18 and £54,412 for 2018/19. It should also be noted that additional loss of the standard Council Tax income for such properties amounted to £198,611 in 2017/18 and £217,649 in 2018/19. Those making this move will be subject to commercial waste charges on the dwelling as it is no longer classed as domestic.

The more difficult issue is that of taxpayers claiming, or the Council's own records showing, that the dwelling is occupied but, in fact, it is a second home. Since 1 April 2017 up to 30 September 2018 there has been an increase of 14% in the number of dwellings subject to the premium that are deemed to be second homes. The Authority continues to review this category as it believes that not all properties that are second homes are paying the premium. A recent analysis of properties in Trearddur Bay and Rhosneigr, for example, suggested that at least 50 further properties would probably be liable to the premium (where we had away billing addresses) and a further 100 possibly may be liable to the premium.

As a consequence, the Authority is planning to undertake a rolling review of the entire Island over the next 2 – 3 years to determine the home owner's primary residence. It will do so using its own additional resource paid from the premium and also using a private sector partner accessing credit data, other commercially available datasets and an evidence based approach to determine which property is most likely the main residence and thereby identifying which cases differ from the Council's current records.

Appendix D provides an analysis per town/community council of the number of dwellings subject to the premium, split between second homes and long-term empty properties and Council Tax bands as at the end of Quarter 2 2018/19.

D. Has there been a reduction in the Council Tax base?

When the Executive set its tax base for 2018/19 on 27 November 2017, it did so in accordance with the valuation list dated 31 October 2017. Likewise, it will set the Council Tax base for 2019/20 on a valuation list dated 31 October 2018. If there was a transfer of properties from Council Tax to Non Domestic rates, it would not only reduce the income from the premium but it would reduce the general taxbase.

Any significant fall in the taxbase may be evidence to show that Council Taxpayers are switching from council tax to non domestic rates. The taxbase set for tax setting purposes for 2018/19 saw a small fall of 0.07% as compared to the tax base for 2017/18. Even though, when calculating the premium element of the tax base which gave a projected increase of 9.88%, it was not sufficient to overcome other movements in the tax base, such as removal of properties, band reductions, increase in single person discounts or exemptions.

During 2018/19, movements in the tax base is being measured on a quarterly basis and, from month 7 onwards, on a monthly basis. The taxbase calculated by the Executive for the premium element for 2018/19 was 550.75 and, by the end of Quarter 2 (30 September 2018), this is calculated to be 588.89 (an increase of 6.5%).

For the non-premium element of the tax base, the tax base calculated by the Executive for 2018/19 was 30,222.56 and, by the end of Quarter 2 (30 September 2018), this is calculated to be 30,278.49 (an increase of 0.2%).

By the end of Quarter 2 (30 September 2018) the overall tax base set for 2018/19 is estimated to have increased by 0.3% from 30,773.31 to 30,867.38.

A degree of caution has to be introduced as regards these figures as significant assumptions have been made in respect of this calculation to take account of forecasted adjustments in debit to come through in the remaining months of the year and additional bad debt provision that may be required, which may differ when the actual tax base is calculated. Movements in the tax base for 2018/19 (excluding the premium element) is analysed below between the period 1 April 2018 and 30 September 2018, which shows the areas of movement based on actual Band D equivalent properties –

Description	Band D Equivalent
New property – band increases – reopen accounts	+204
Property removed – band decreases	-91
New occupation	+1,987
Old occupation	-2,012
Total Gross Debit Adjustments	+88
Disabled reduction	-6
Exemptions	-102
Property Discounts	-2
Personal Discounts	+55
Locally defined discount	-1
Total Net Debit Adjustments	-56
Total Net Adjustments	+32

The Single Person Discount review, completed in July 2018, reduced the personal discount awarded equivalent to 57 Band D equivalent property. If such a review had not been undertaken, the tax base would have decreased by 23 Band D equivalent properties i.e. 0.07%. Reviews of exemptions and property discounts are ongoing.

DD. Have premiums succeeded in bringing long-term empty and second homes back into use and increased the supply of affordable homes and enhanced the sustainability of local communities?

Council Tax premiums to date have not succeeded in bringing long-term empty and second homes back into use in the areas which have the highest numbers of second homes and/or the lowest numbers of homes at lower quartile house prices and, as a consequence, not enhanced the sustainability of local communities in such areas. As highlighted in part A of this report, the highest volumes of enquiries from eligible first time buyers who were purchasing related to the purchase of properties from outside of these areas.

It would seem that property owners in such areas are prepared to meet the additional cost of the premium at its current level.

E. Have premiums impacted on the local tourism industry?

There seems to be little or no quantifiable impact.

B - What other options did you consider and why did you reject them and/or opt for this option?

This is a report undertaking a review of a policy decision and, whilst options are listed, no specific option is recommended for Members of the Executive to propose to the full Council.

C - Why is this a decision for the Executive?

Primary legislation states that the future policy as regards Council Tax premiums is a decision for the full Council. The Executive is asked to consider the options listed and advise on an appropriate course of action.

CH - Is this decision consistent with policy approved by the full Council?

The Welsh Government, when giving powers to local authorities in Wales to charge a premium on the Council Tax, had the aim that such powers would assist local authorities in bringing long-term empty homes back into use to provide safe, secure and affordable homes and to support local authorities to increase the supply of affordable housing and enhance sustainability of local communities. This is consistent with the Council's aims and priorities.

D - Is this decision within the budget approved by the Council?

The additional revenue generated from the charging of a Council Tax premium is retained by local authorities to be spent as they wish, but the Welsh Government encourages use of any additional revenue generated to help local housing needs, in line with the policy intentions of the premiums.

DD - Who did you consult?**What did they say?**

	Who did you consult?	What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	Comments incorporated in the report
2	Finance / Section 151 (mandatory)	Author of report
3	Legal / Monitoring Officer (mandatory)	
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	

E - Risks and any mitigation (if relevant)

1	Economic	
2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	

F - Appendices:

Appendix A
Appendix B
Appendix C
Appendix CH
Appendix D

FF - Background papers (please contact the author of the Report for any further information):

- Report to full Council to consider 10 March 2016
- Local Government Finance Act 1992 as amended by Section 7 of the Housing (Wales) Act 2014
- Council Tax (Exceptions to Higher Amounts) (Wales) Regulations 2015
- Council Tax (Exempt Dwelling) Order 1992
- Statutory Guidance by Welsh Government on the Implementation of Council Tax Premiums on Long-Term Empty Homes and Second Homes in Wales December 2015

INCWM YCHWANEGOL PREMIWM - PREMIUM ADDITIONAL INCOME

Eiddo Dwelling	Nifer / Total	Cyfateb Band D Equivalent	Premium Ychwanegol / Additional Premium (%)							
			25%	30%	35%	40%	50%	60%	75%	100%
Tai Gwag / Empty Homes	697	655	£186,709	£224,051	£261,393	£298,735	£373,419	£448,102	£560,128	£746,838
Llai lleihad i 80% o'r Sail y Dreth y Gyllideb a 98.5% raddfa gasglu / Less reduction to 80% Budget Tax base and 98.5% Collection Rate	-	-	-£39,582	-£47,499	-£55,415	-£63,332	-£79,165	-£94,998	-£118,747	-£158,330
Cyfanswm / Total			£147,127	£176,552	£205,978	£235,403	£294,254	£353,104	£441,381	£588,508
Ail Dai Second Homes	2,627	2,766	£788,455	£946,146	£1,103,837	£1,261,528	£1,576,910	£1,892,293	£2,365,366	£3,153,821
Llai lleihad i 80% o'r Sail y Dreth y Gyllideb a 98.5% raddfa gasglu / Less reduction to 80% Budget Tax base and 98.5% Collection Rate	-	-	-£167,152	-£200,583	-234,013	-£267,444	-£334,305	-£401,166	-£501,4584	-£668,610
Cyfanswm / Total	3,324	3,421	£621,303	£745,563	£869,824	£994,084	£1,242,605	£1,491,127	£1,863,908	£2,485,211

Canrannau Premiynau Cynghorau Cymru / Welsh Councils Premiums Percentages (statswales.gov.wales)

Name / Enw	2017 – 2018		2018 – 2019	
	Tai Gwag Hirdymor / Long Term Empty	Ail Dai / Second Homes	Tai Gwag Hirdymor / Long Term Empty	Ail Dai / Second Homes
Ynys Môn/Isle of Anglesey	25%	25%	25%	25%
Gwynedd	0%	0%	50%	50%
Conwy ^①	0%	0%	0%	0%
Dinbych/ Denbigh ^②	0%	0%	50%	0%
Fflint / Flint	50%	50%	50%	50%
Wrecsam / Wrexham	50%	50%	50%	50%
Ceredigion	25%	25%	25%	25%
Powys	50%	50%	50%	50%
Penfro /Pembroke ^③	0%	50%	0%	50%

**Nid yw gweddill Cynghorau Cymru yn codi premiwm /
All remaining Welsh Councils do not charge premiums.**

- ① O 1 Ebrill 2019 bydd Cyngor Conwy yn codi premiwm o 100% ar dai gwag hirdymor a 25% ar ail dai. /
From 1 April 2019 Conwy Council will be charging a premium of 100% on long term empty homes and 25% on second homes.
- ② O 1 Ebrill 2019 bydd Cyngor Dinbych yn codi premiwm o 50% ar ail dai. /
From 1 April 2019 Denbigh Council will be charging a 50% premium on second homes.
- ③ O 1 Ebrill 2019 bydd Cyngor Penfro yn codi premiwm o 25% ar eiddo gwag hirdymor. /
From 1 April 2019 Pembrokeshire Council will be charging a premium of 25% on long term empty property.

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Executive Committee
Date:	
Subject:	Equity loans for first time buyers and Empty Homes Grants financed through the Empty Homes and Second Homes council tax premium
Portfolio Holder(s):	Councillor A Mummery
Head of Service:	Ned Michael
Report Author: Tel: E-mail:	Gwenda Owen Empty Homes Officer Ext 2283 gwendaowen@ynysmon.gov.uk
Local Members:	All
A –Recommendation/s and reason/s	
<ol style="list-style-type: none"> 1. That the Executive approve the continuation of the Policy. 2. That the Executive approve the continuation of funding to deliver the Policy. 3. That, in view of the current waiting list, the Executive consider increasing the allocation of funding to the scheme. This reports requests an additional £340,000 for the next two years to increase the number of applicants that can be assisted. <p>Reasons</p> <p>There is evidence to demonstrate that the scheme has met its objectives in that :-</p> <ul style="list-style-type: none"> • it has supported local first time buyers to become the owner of a home that is affordable to them in their area of choice. • best use has been made of existing housing stock by bringing back into use long term empty homes in need of improvements, which are often a blight on the neighbourhood. • it provides additional value by supporting local small to medium sized enterprises and other community benefits. <p>Background</p> <p>Following the legislative changes made by the Housing (Wales) Act 2014, Local Authorities were given discretionary powers to charge a premium on second homes and long term empty properties as a tool to help them to bring long-term empty homes back into use to provide safe, secure and affordable homes, and increase the supply of affordable housing and enhancing the sustainability of local communities.</p>	

The Executive approved a Council Tax premium of 25% on both long term empty properties and second homes. In February 2017, they also approved a policy for the implementation of two new schemes to support local first time buyers, to be funded from the additional premium:-

- a) A grant to help first time buyers purchase and renovate an empty home; and
- b) Equity loans to help first time buyers.

Initially, the policy was restricted to specified community council areas, which had the highest numbers of second homes and / or the lowest numbers of homes at lower quartile house prices. However, due to high volumes of enquiries from eligible first time buyers who were purchasing outside of these specified areas, the scheme was extended across Anglesey providing equal and fair home purchase opportunities. (Executive decision taken by the Portfolio Holder for Housing and Supporting Communities, February 2018).

Funding the Scheme

The chart below provides information on the additional income collected from charging the additional premiums and the allocation used to fund the Scheme.

Period	Additional Income due to Council Tax Premium		Funding allocated to Empty Home Schemes	Funding allocated to Assistant Empty Homes Officer
	Long Term Empty Homes	Second Homes		
2017 – 2018	£167,910	£781,144	£170,000	£35,000
2018 - 2019	£215,876	£881,628	£170,000	£35,000
Total	£383,786	£1,662,772	£340,000	£70,000

The total additional revenue collected over the two year period is £2,005,882, of this 16.95% has been invested in the scheme to support Anglesey’s first time buyers.

Due to the limited funding available and the demand for the Empty Homes Renovation Grant for First Time buyers exceeding expectation, the launch of the Equity Loans scheme has been deferred.

The “Empty Homes Renovation Grant for First Time Buyers”

This scheme provided a grant of up to £20,000 for local first time buyers who purchase a long term empty property in need of renovation. Properties in need of upgrading are usually lower in price to reflect the cost of the work and are, therefore, more affordable to first time buyers. The grant will cover items including, but not limited to, installation of efficient heating systems, re-wiring, eradication of damp, replacement kitchen and/or bathroom, replacement windows and doors, insulation, internal re-configuration to suit modern living and general plastering and associated works.

Demand - The scheme has been popular with first time buyers, with demand exceeding available funding as demonstrated in the chart below:-

Analysis of first time buyer grant enquiries and applications	
Number of applications approved	13
Number of applications pending completion of purchase	5
Number on waiting list should additional funding become available prior to completion of purchase	12
Number of ineligible enquiries	12

Grant recipients are appreciative of the scheme and complimentary of the Council's efforts to support local people to get on the housing ladder.

One young couple commented: "Thanks to the grant we have been able to buy our first family home. We had to save hard for a deposit at the same time as paying rent. Ten days after moving in we brought our new baby home to our lovely, warm and modern house. It's a great scheme".

Predicted and Actual Expenditure 1st November 2017 to 20th July 2018

Committed Expenditure (Value of applications approved)	£239,533
Estimated commitment to cover pending applications	£100,000
Total projected expenditure	£339,533
Average value of grant awarded	£18,425
Actual Expenditure as at 20.7.18	£ 99,812
Total first time buyers' own contribution	£35,563
Average first time buyer contribution	£2,735.61

Properties returned to use

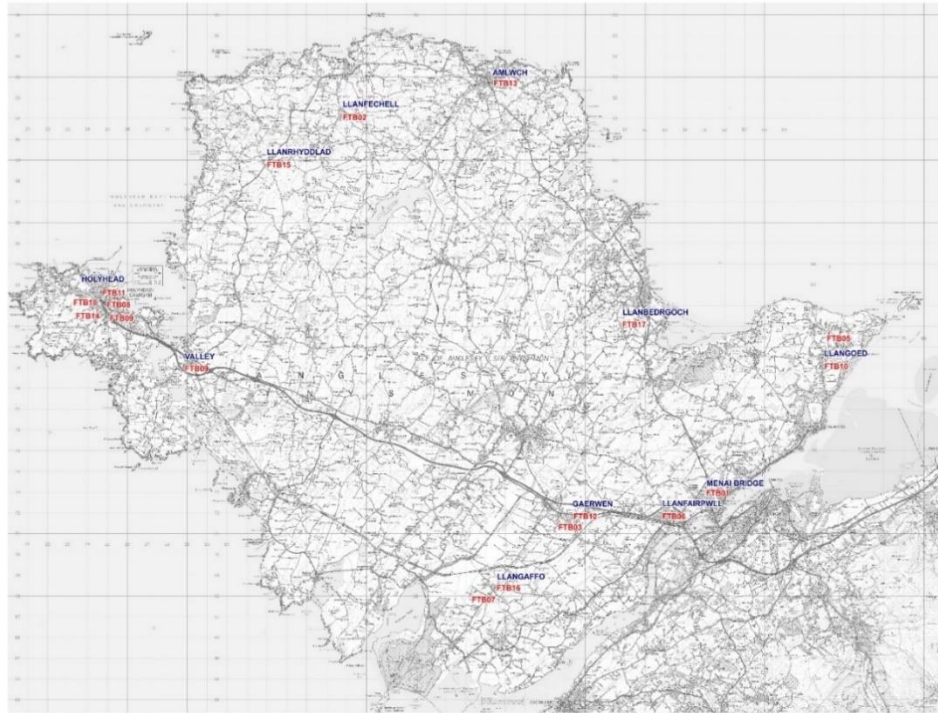
As at 23rd July 2018, seven properties have been returned to use, with a further seven currently under renovation.

By the end of December 2018, it is anticipated that 18 empty properties will be brought back into use and, therefore, this scheme will have supported 18 first time buyers across Anglesey to purchase their own home. On average, properties will have been empty for a period of 720 days.

The Location of Improved Properties

The map below demonstrates the location of empty properties which either have or will be brought back into use through the scheme.

Figure 1

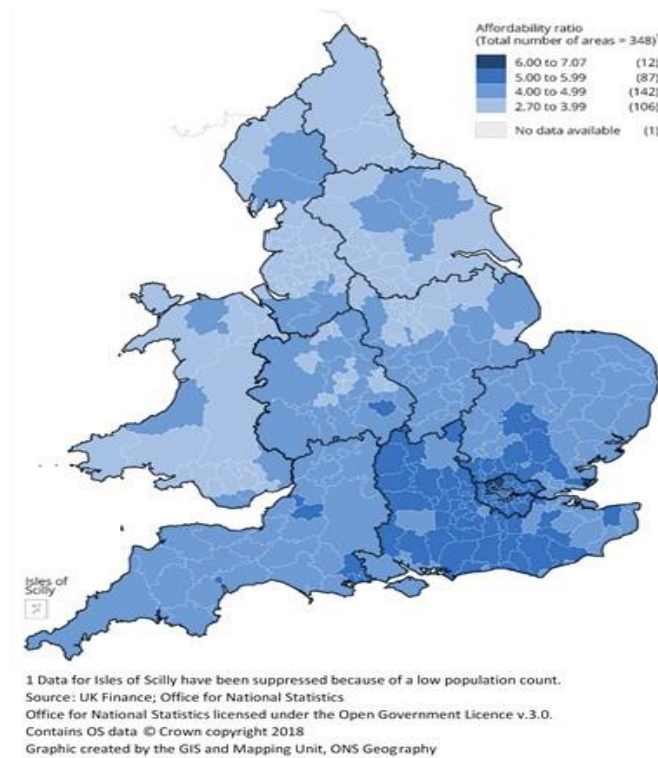


Affordability

Affordability is recognised as a key barrier to home ownership. The Office of National Statistics (ONS) produced an article on first-time buyer housing affordability in England and Wales in 2017, which included an analysis of house prices and earnings for prospective first-time buyers as well as purchase prices and incomes of previous first time buyers.

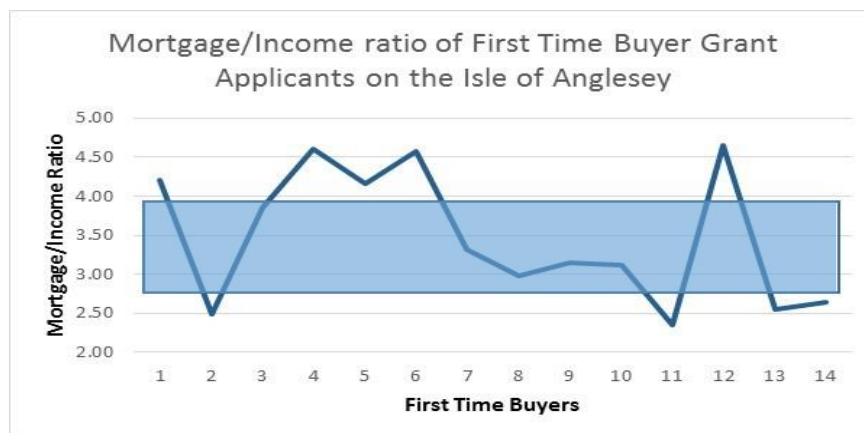
This demonstrated that first time buyers in England and Wales spent on average 4.3 times their gross annual income purchasing a property with a mortgage, up from 4.2 in 2016. The ratios were lower in local authorities in Wales and, in Anglesey, the average was between 2.70 and 3.99 as shown in Figure 2 overleaf.

Figure 2. Purchase affordability ratios 2017



Analysis of the income/mortgage ratio of first time buyer grant applicants demonstrated that, of the fourteen applications received, 5 were marginally above the maximum of 3.99 and four were slightly below the minimum.

Figure 3



The ONS article states that the first time buyer house purchase affordability ratios do not indicate the ongoing costs of owning a house for the first time after its purchase. For example, they do not show whether the percentage of income spent on mortgage payments is lower in Wales and so it is not clear whether there is a geographical divide in overall home ownership as well as house purchase affordability.

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The average household income of grant applicants was £33,326. Of the five applicants whose income/mortgage ratio was above 3.99, the average income fell to £26,916, due mainly, to the fact that four were single rather than joint applications. This demonstrates that single applicants spend a higher proportion of their income on the mortgage and have considerably less income to spend on the ongoing costs of owning a house.

Mortgage Term

Traditionally, homebuyers have taken out 25 year mortgages but rising house prices and tougher affordability tests have pushed lenders and brokers to favour longer terms. According to the Halifax, first time buyers are increasingly turning to 35 year mortgage terms as the longer the mortgage term is, the cheaper the repayments as they are spread over more months. However, the overall cost of the loan is pushed up as the applicant ends up paying interest for longer.

The average mortgage term for grant applicants was 32.07 years as demonstrated in figure 4 below. This highlights that Anglesey’s first time buyers who have benefitted from the grant scheme have had to increase the term of their mortgage in order to purchase a property and will, therefore, be paying more for the loan as they end up paying interest for longer.

Figure 4

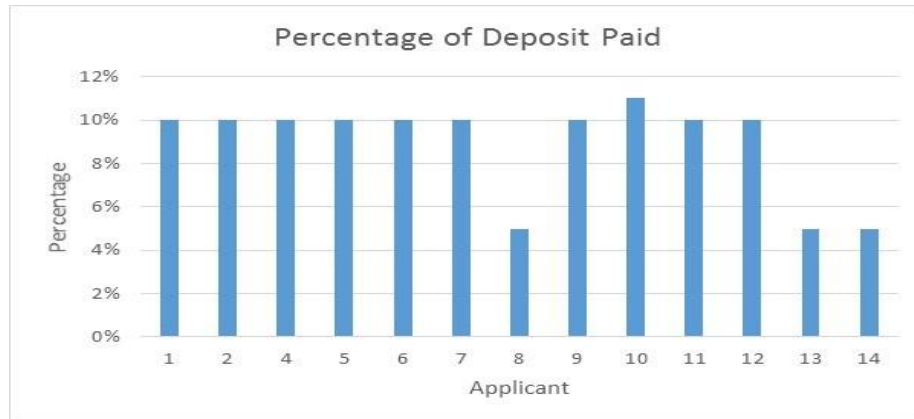


Deposits

Saving for a deposit is one of the biggest hurdles to home ownership. Prospective first time buyers who have smaller deposits saved are less likely to be approved for a mortgage, and, therefore, less likely to buy a home. The lower purchase prices of properties in need of renovation has enabled first time buyers on a low income to save sufficient to put the minimum 5% or 10% deposit required to secure a property.

Five of the grant applicants had been gifted part or all of their deposit from a family member, further demonstrating the difficulties faced by first time buyers trying to save for a deposit.

Figure 5



Additional Scheme Benefits

The scheme provides additional benefits:-

Improved energy efficiency

On completion of the renovation works, it is estimated that over 95% of properties will have been fitted with measures which will improve energy efficiency, e.g. condensing boiler, insulation and windows and doors (EPC rating of D and above), resulting in reduced energy costs for their owners. In addition, all properties will have been improved and modernised, resulting in reduced future repair and maintenance costs for their owners and will have appreciated in value as a consequence. This may help those who will, at a later time, need to move to a more suitable property should their needs change as they will have increased equity. (The grant is repayable in full should the property be sold within five years of the date of completion of the grant supported works.)

Generation of income for local businesses

Thirty-five local small/medium enterprises have benefitted from work generated by the scheme - thirty from Anglesey and five from Gwynedd. This demonstrates added value as the grant funding of £340,000 has not only supported first time buyers, but has been further invested in the local economy, thereby providing continued work opportunities for local people.

Furthermore, a local estate agent commented "Many properties in the locality have benefitted externally from a Group Repair Scheme. Internally, however, they need complete renovation - re-wiring, central heating, bathroom/kitchen upgrades. Attractive in the past only to commercial landlords, first time buyers are now able to compete and buy these properties, turning them into their homes. A small scheme with big benefits!"

Other

By enabling local first time buyers to purchase their first home in their area of choice, they are able to remain within their communities and close to family networks, which is particularly important for young families who rely on family for support with child-care.

The improvement in both the condition and external appearance of properties enhances the community and improves the private housing stock on the Island.

Property sellers benefit indirectly from the scheme as houses in need of renovation can be more difficult to sell. The availability of the grant can help a property to sell.

Home Ownership Opportunities for Young People

According to the Office of National Statistics (ONS), there has been a decline in home ownership among young adults. Nearly half of 20 to 24 year olds lived with their parents in 2015, compared with a fifth of 25 to 29 year olds.

The percentage of young adult householders owning their home decreased from 55% in 1996 to 30% in 2015 for 25 to 29 year olds; and from 68% to 46% for 30 to 34 year olds.

Analysis of current addresses of grant applicants indicated that 8 lived with their parents, 5 lived in the private rented sector and 1 lived in temporary accommodation. Those in the private rented sector indicated that their mortgage payments were set to be either the same or lower than the rent currently being paid, hence the reason for purchasing their own home. This assisted those on low income by increasing their disposable income.

CONCLUSION AND RECOMMENDATIONS

The scheme has met its key objectives of bringing empty homes back into use whilst supporting first time buyers to get their foot onto the housing ladder.

The popularity of the scheme is evident with demand far exceeding the available funding. It is recommended, therefore, that the Council consider increasing the funding made available to the scheme and explores opportunities to apply for external funding for the scheme. The recommendation is to allocate an additional £340,000 during the next two years.

B – What other options did you consider and why did you reject them and/or opt for this option?	
C – Why is this a decision for the Executive?	
To ensure that the policy continues to have the full approval and support of the Executive Committee.	
CH – Is this decision consistent with policy approved by the full Council?	
The full Council agreed, on March 2016, to use its discretionary powers to raise a Council Tax Premium on long term empty dwellings and second homes from 1 st April 2017. The Executive agreed to invest in the Schemes in February 2017.	
D – Is this decision within the budget approved by the Council?	
The schemes will continue to be funded from extra receipts raised from the Council Tax premium on Empty homes and Second Homes.	
DD – Who did you consult? What did they say?	
1	Chief Executive / Senior Leadership Team (SLT) (mandatory)
2	Finance / Section 151 (mandatory)
3	Legal / Monitoring Officer (mandatory)
4	Human Resources (HR)
5	Property
6	Information Communication Technology (ICT)
7	Procurement
8	Scrutiny
9	Local Members
10	Any external bodies / other/s
E – Risks and any mitigation (if relevant)	
1	Economic
2	Anti-poverty
3	Crime and Disorder
4	Environmental
5	Equalities
6	Outcome Agreements
7	Other
F - Appendices:	
Nil	
FF - Background papers (please contact the author of the Report for any further information):	
Guidance on the Implementation of the Council Tax Premiums on Long-Term Empty Homes and Second Homes in Wales – Welsh Government, January 2016	
Policy on Help for local first time buyers financed from the Council Tax Premium on empty homes and second homes.	

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SECOND HOMES – EXCEPTIONS

Classes of Dwellings	Definition	Number
Class 1	Dwellings being marketed for sale: time limited for one year	7
Class 2	Dwellings being marketed for let: time limited for one year	2
Class 3	Annexes forming part of, or being treated as part of, the main dwelling	4
Class 4	Dwellings which would be someone's sole or main residence if they were not residing in armed forces accommodation	3
Class 5	Occupied caravan pitches and boat moorings	3
Class 6	Seasonal homes where year round occupation is prohibited	84
Class 7	Job related dwellings	46
TOTAL		149

LONG TERM EMPTY PROPERTY – EXCEPTIONS

Classes of dwellings	Definition	Number
Class 1	Dwellings being marketed for sale: time limited for one year	21
Class 2	Dwellings being marketed for let: time limited for one year	4
Class 3	Annexes forming part of, or being treated as part of, the main dwelling	1
Class 4	Dwellings which would be someone's sole or main residence if they were not residing in armed forces accommodation	0
TOTAL		26

AIL DAI / SECOND HOMES

Cyngor Tref / Cymuned - Town/Community Council	A	B	C	D	E	F	G	H	I	Cyfanswm / Total
Aberffarw	2	14	8	9	6	3	1	0	0	43
Amlwch	27	22	14	18	19	5	0	0	0	105
Biwmares/Beaumaris	3	7	22	56	26	18	8	0	1	141
Bodedern	3	2	1	3	2	2	0	0	0	13
Bodffordd	4	4	6	4	2	1	0	0	0	21
Bodorgan	0	9	11	8	7	5	1	1	1	43
Bryngwran	3	2	4	4	2	0	0	0	0	15
Caergybi/Holyhead	72	38	23	12	3	2	1	0	0	151
Cwm Cadnant	1	3	4	2	14	12	12	2	6	56
Cylch y Garn	3	8	7	8	11	5	3	1	0	46
Llanbadrig	10	15	28	26	16	4	1	1	0	101
Llanddaniel	0	4	2	7	0	0	0	0	0	13
Llanddona	3	6	6	10	8	9	3	1	1	47
Llanddyfnan	0	2	4	6	0	1	1	0	1	15
Llaneilian	5	2	12	20	9	4	0	1	0	53
Llanerchymedd	3	5	6	0	2	0	0	0	0	16
Llaneugrad	11	2	0	4	6	1	0	0	0	24
Llanfachraeth	2	1	0	1	1	1	0	0	0	6
Llanfaelog	7	19	89	78	75	44	30	6	0	348
Llanfaethlu	1	2	6	8	7	2	5	0	0	31
Llanfair Mathafarn Eithaf	12	7	34	85	64	16	7	0	0	225
Llanfairpwllgwyngyll	1	3	1	4	8	2	1	0	0	20
Llanfair yn Neubwll	0	16	4	5	2	2	2	0	0	31
Llanfihangel Ysceifiog	0	5	7	7	5	2	2	0	0	28
Llangefni	15	9	7	8	4	3	0	0	0	46
Llangoed	1	7	18	21	12	5	2	3	0	69
Llangristiolus a Cherrigceinwen	4	3	1	4	1	4	0	0	0	17
Llanidan	3	4	9	5	1	1	2	0	0	25
Mechell	6	8	7	6	4	2	1	0	0	34
Moelfre	6	7	19	71	25	6	1	0	0	135
Penmynydd	2	1	8	5	1	1	1	0	0	19
Pentraeth	10	15	19	10	5	3	3	1	0	66
Porthaethwy/Menai Bridge	8	8	21	17	17	6	2	0	1	80
Rhoscolyn	4	3	11	15	16	14	7	2	2	74
Rhosybol	3	2	2	11	6	0	0	0	0	24
Rhosyr	2	13	15	25	10	7	1	1	0	74
Trearddur	6	18	75	64	61	44	23	11	3	305
Tref Alaw	0	2	1	3	7	2	0	0	0	15
Trewalchmai	2	1	0	6	1	0	0	0	0	10
Y Fali/Valley	3	5	13	8	6	7	0	0	0	42
CYFANSWM / TOTAL	248	304	525	664	472	246	121	31	16	2,627

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TAI GWAG HIRDY MOR / LONG-TERM EMPTY PROPERTY

Cyngor Tref/Cymuned - Town/Community Council	A	B	C	D	E	F	G	H	I	Cyfanswm Total
Aberffarw	4	2	1	2	1	0	0	0	0	10
Amlwch	4	15	8	3	3	1	0	0	0	34
Biwmares/Beaumaris	2	2	5	7	2	3	2	0	0	23
Bodedern	3	3	1	3	1	0	0	0	0	11
Bodffordd	1	2	0	2	1	0	0	0	0	6
Bodorgan	0	2	1	3	2	1	0	0	0	9
Bryngwran	2	1	2	1	0	1	1	0	0	8
Caergybi/Holyhead	48	25	14	5	3	0	0	0	0	95
Cwm Cadnant	2	2	2	0	3	4	0	2	0	15
Cylch y Garn	1	1	3	5	1	2	0	1	0	14
Llanbadrig	6	6	6	7	3	0	3	0	0	31
Llanddaniel	1	3	2	0	1	0	0	0	0	7
Llanddona	0	1	3	5	2	1	1	0	0	13
Llanddyfnan	1	3	1	2	3	0	0	0	0	10
Llaneilian	3	1	3	4	5	1	1	1	0	19
Llanerchymedd	4	3	1	3	3	2	0	0	0	16
Llaneugrad	3	0	0	0	4	0	0	0	0	7
Llanfachraeth	0	2	1	0	2	0	0	0	0	5
Llanfaelog	0	11	6	1	6	1	2	0	0	27
Llanfaethlu	1	2	1	3	5	0	0	0	0	12
Llanfair Mathafarn Eithaf	2	3	4	9	3	2	1	0	0	24
Llanfairpwllgwyngyll	0	0	4	5	4	2	0	0	0	15
Llanfair yn Neubwll	1	7	0	3	0	0	0	0	0	11
Llanfihangel Ysceifiog	1	2	6	2	1	0	0	0	0	12
Llangefni	32	5	9	5	3	2	0	0	0	56
Llangoed	1	5	5	3	1	0	1	0	0	16
Llangristiolus a Cherrigceinwen	2	1	3	3	2	0	1	0	0	12
Llanidan	2	2	3	1	0	0	0	0	0	8
Mechell	1	13	4	1	0	3	2	0	0	24
Moelfre	0	3	1	3	4	0	1	0	0	12
Penmynydd	0	0	0	0	1	0	0	0	0	1
Pentraeth	5	6	2	3	0	1	0	0	0	17
Porthaethwy/ Menai Bridge	6	3	5	5	1	1	1	0	0	22
Rhoscolyn	1	0	0	2	0	0	1	0	0	4
Rhosybol	1	1	1	3	2	4	0	0	0	12
Rhosyr	2	6	9	8	3	1	0	0	0	29
Trearddur	5	0	6	3	3	7	2	0	0	26
Tref Alaw	0	2	0	2	0	3	2	0	0	9
Trewalchmai	0	2	4	0	0	0	0	0	0	6
Y Fali/Valley	2	1	3	2	1	0	0	0	0	9
Cyfanswm / Total	150	149	130	119	80	43	22	4	0	697

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