

MEETING:	Full Council
DATE:	4 December 2014
CABINET MEMBER:	Councillor Peredur Jenkins
TITLE:	COUNCIL TAX: DISCRETIONARY POWERS TO ALLOW DISCOUNTS
OBJECTIVE:	Formal ratification for 2015/16 and thereafter of previous decisions not to allow any discounts for second homes and to disallow discount on empty properties.
AUTHOR:	Dafydd L Edwards, Head of Finance

1. EXECUTIVE SUMMARY

- 1.1 The Council has resolved annually since 1998 to allow NO discounts to second homes.
- 1.2 The Council has resolved annually since 2009 NOT to allow a discount in respect of empty properties.
- 1.3 It is prudent to seek an annual decision by the full Council on these matters.

2. RECOMMENDATIONS

- 2.1 **Therefore, the Council is asked to formally resolve again for 2015/16 that Gwynedd Council allows NO discount under Section 12 of the Local Government Finance Act 1992 to the two classes of second homes (classes A and B) defined in the Council Tax (Prescribed Class of Dwellings) (Wales) Regulations 1998.**
- 2.2 **Further, the Council is asked to formally decide again for 2015/16 to allow NO discount in respect of empty properties (class C).**

3. LEGISLATIVE BACKGROUND

- 3.1 Section 12 of the Local Government Finance Act 1992, as amended by Section 75 of The Local Government Act 2003, and, The Council Tax (Prescribed Classes of Dwellings) (Wales) Regulations 1998, as amended by The Council Tax (Prescribed Classes of Dwellings) (Wales) (Amendment) Regulations 2004 provides Councils with the discretionary powers to grant discount, or not, to two classes of second homes (classes A and B, below) and to long term empty dwellings (class C). The discount can be 50%, a reduced percentage or no discount.
- 3.2 Whilst regulations provide the Cabinet with powers to decide on the council tax base, **a decision by the full Council is still required in relation to discounts.** For technical reasons (see 4.3 below), annual confirmation has been sought again regarding the decision to disallow council tax discounts.

4. CURRENT POLICY AND INTENTION

- 4.1 The Council has resolved to allow NO discounts to second homes (classes A and B) every year since receiving discretionary powers for these classes in 1998, and it is recommended below that this should continue for 2015/16.
- 4.2 The Council has also resolved NOT to allow a 50% discount for class C (in respect of empty/unoccupied properties) since 2009/10, and it is recommended below that this should continue for 2015/16.
- 4.3 In order to avoid the need for an annual decision on the above, the full Council resolved on 21 January 2010 to confirm that this policy would continue beyond 2010/11, and thereafter until a relevant item is tabled on the full Council's agenda. However, consideration by a valuation tribunal of a case involving a property in another county raised doubt regarding the validity of a permanent resolution and policy on this matter, and the legal opinion is that it would avoid an element of risk to the Council if we secure an annual decision for this matter.
- 4.4 The financial strategy for 2015/16, and the Council's grant settlement from the Welsh Government, is based on continuation of the policy to allow NO discounts, and any change to that policy would need to be funded by the Council in 2015/16.

5. "THE REGULATIONS" – COUNCIL TAX (PRESCRIBED CLASS OF DWELLINGS (WALES) REGULATIONS 1998 / THE COUNCIL TAX (PRESCRIBED CLASSES OF DWELLINGS) (WALES) (AMENDMENT) REGULATIONS 2004

- 5.1 In the above Regulations, 'second homes' have been categorised into two classes, A and B, while class C refers to empty properties:
- ❑ **Class A** - Second homes which are unoccupied and furnished, with a restriction on occupancy for a period of at least 28 consecutive days in any 12 month period.
 - ❑ **Class B** - Second homes which are unoccupied and furnished.
 - ❑ **Class C** – empty and unfurnished properties, and have been such for a period of over 6 months.
- 5.2 The Regulations provide the Council with the discretion to charge full Council Tax or to allow a 25% or 50% discount to classes A and B.
- 5.3 Similarly, the Regulations provide the Council with discretion to continue to allow a 50% discount, to allow a lower percentage of discount, or no discount at all to class C.

6. SECOND HOMES

- 6.1 Further to changes in national regulations, in future, it will be possible to charge more than 100% of the usual Council Tax payable on second homes, by means of a 'premium' rather than a discount.
- 6.2 Acting jointly with other local authorities, the Council Leader, Cabinet Members and many officers campaigned to prompt this development, with local authorities retaining the additional council tax income generated.

- 6.3 Submissions to the Welsh Government on behalf of Gwynedd Council have supported the introduction of a premium, whilst also stressing the need for measures to control / prevent the transfer of second homes to commercial holiday lets and the business rates regime.
- 6.4 We now understand that the recently enacted Housing (Wales) Act 2014 contains the discretionary provision for councils to charge a “premium” of not more than 100% in this context but such provision needs a commencement order before implementation.
- 6.5 We understand that the commencement order is scheduled for 2015/16. It is envisaged that amendment of all associated regulations will also be completed during 2015/16 in order to satisfy determination and due notice to affected council taxpayers a full year before the chargeable date of April 2017.
- 6.6 In the interim, for 2015/16 and 2016/17, it is recommended (2.1 above) that the Council allows no discounts for second homes.

7. EMPTY PROPERTY

- 7.1 Gwynedd Council’s Empty Property Strategy was adopted in February 2009. The Council has also recognised the importance of dealing with empty properties within its Strategic Plan (bringing empty properties back into use). The Empty Property Strategy’s mission statement is that: *“Gwynedd Council will endeavour to bring empty properties back into use. Our aims are to contribute to the well-being of the neighbourhood, increase the supply of housing, reduce homelessness or the potential for homelessness, and at the same time, reduce the pressure on the Housing Waiting List”*.
- 7.2 Since April 2009, long term empty dwellings have been charged 100% council tax, following either an exempt period of 6 months, or an extended 12 month period of exemption if undergoing major renovation. Any discount would provide an unfortunate incentive for owners to keep dwellings empty. The Empty Property Strategy includes the Council exercising its discretion to charge 100% council tax on long term empty dwellings, as an incentive for these dwellings to be reoccupied. It is recommended that the full Council continues with the resolution not to allow a discount on empty property in 2015/16.
- 7.3 In October 2012, there was a Welsh Government consultation regarding empty property taxation and powers to raise more than 100% of Council Tax on long-term empty properties. On the 18 November 2013 the Housing (Wales) Bill 2013 was issued.
- 7.4 Similar to second homes, as referred to above, the Housing (Wales) Act 2014 includes the discretionary provision for local authorities to charge a council tax premium of not more than 100% on properties which have been empty for 12 months or more.
- 7.5 Again the provision needs a commencement order before implementation. As with second homes, the earliest chargeable date for any premium is April 2017. In the interim, for 2015/16 and 2016/17, it is recommended (2.2 above) that the Council resolves to allow no discounts for empty properties.