



# Complete Agenda

Democratic Services  
Swyddfa'r Cyngor  
CAERNARFON  
Gwynedd  
LL55 1SH

Meeting

## **CORPORATE SCRUTINY COMMITTEE**

Date and Time

**10.00 am, THURSDAY, 16TH JUNE, 2016**

Location

**Siambr Dafydd Orwig, Council Offices, Caernarfon, Gwynedd, LL55 1SH**

**\* NOTE**

**This meeting will be webcast**

**<http://www.gwynedd.public-i.tv/core/portal/home>**

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(DISTRIBUTED 09/06/16)

# **CORPORATE SCRUTINY COMMITTEE**

## **MEMBERSHIP (18)**

### **Plaid Cymru (9)**

Councillors

Elwyn Edwards  
Gweno Glyn  
John Wyn Williams

Dyfrig Jones  
Michael Sol Owen  
R. H. Wyn Williams

Charles Wyn Jones  
Gethin Glyn Williams  
Aled Wyn Jones

### **Independent (5)**

Councillors

Lesley Day  
W. Roy Owen  
Hefin Underwood

Trevor Edwards  
Eirwyn Williams

### **Llais Gwynedd (2)**

Councillors

Jason Humphreys

Anwen J. Davies

### **Labour (1)**

Councillor Gwynfor Edwards

### **Liberal Democrats (1)**

Councillor June Marshall

### **Ex-officio Members**

Chairman and Vice-Chairman of the Council

### **Other invited members**

Members of the Communities Scrutiny Committee – for item 11 (at approx. 11.30am)

# **A G E N D A**

## **1. CHAIRMAN**

To elect a Chairman for 2016/17.

## **2. VICE-CHAIRMAN**

To elect a Vice-chairman for 2016/17.

## **3. APOLOGIES**

To receive any apologies for absence.

## **4. DECLARATION OF PERSONAL INTEREST**

To receive any declaration of personal interest.

## **5. URGENT ITEMS**

To note any items that are a matter of urgency in the view of the Chairman for consideration.

## **6. MINUTES**

5 - 7

The Chairman shall propose that the minutes of the previous meeting of this committee held on 14th April, 2016 be signed as a true record (attached).

## **7. CABINET RESPONSE TO RECOMMENDATIONS PRESENTED BY THE CORPORATE SCRUTINY COMMITTEE**

8 - 10

To submit the report of the Chairman and the Democratic Services Manager (attached).

## **8. REPORT OF THE HOLIDAY HOMES AND TAXES INVESTIGATION**

11 - 61

To submit the draft report of the Holiday Homes and Taxes Investigation (attached).

## **9. GWYNEDD CHALLENGE ENGAGEMENT**

62 - 64

To submit a report by Councillors J.W.Williams and R.H.Wyn Williams, representatives of the Corporate Scrutiny Committee who undertook the work (attached).

## **10. FURTHER SCRUTINY WORK - CLEAR LANGUAGE (IN ENGAGEMENT WORK)**

65 - 67

To submit the scope for a scrutiny investigation (attached).

**11. SAVINGS IN THE REGULATORY DEPARTMENT**

68 - 82

Part 1 – Further Savings

To submit the report of the (Acting) Head of Regulatory Department (attached).

Part 2 – Further Savings – Pest Control

To submit the report of the Senior Corporate Property Manager (attached).

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## **CORPORATE SCRUTINY COMMITTEE 14/04/16**

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**Present:** Councillor Dyfrig Jones (Chairman);  
Councillor Jason Humphreys (Vice-chairman).

**Councillors:-** Anwen Davies, Elwyn Edwards, Trevor Edwards, Gweno Glyn, Aled Wyn Jones, Charles W. Jones, Michael Sol Owen, W. Roy Owen, Eirwyn Williams, Gethin Glyn Williams, John Wyn Williams and R.H. Wyn Williams.

**Officers present:** Vera Jones (Democratic Services Manager) and Eirian Roberts (Member Support and Scrutiny Officer).

**Present for item 3 below:-**

Councillor Ioan Thomas (Cabinet Member for Housing, Customer Care and Libraries, Deprivation and Equality)

Sion Huws (Senior Solicitor - Corporate)

Meinir Williams (Service Improvement Officer)

**Present for item 4 below**

Councillor Peredur Jenkins (Cabinet Member for Resources)

Councillor Mandy Williams-Davies (Cabinet Member for Economy)

Dafydd Edwards (Head of Finance Department)

Dewi Morgan (Senior Manager - Revenue and Risk)

**Apology:** Councillor Lesley Day.

**1. DECLARATION OF PERSONAL INTEREST**

No declarations of personal interest were received from any members present.

**2. MINUTES**

The Chair signed the minutes of the previous committee meeting held on 4 February 2016, as a true record.

**3. THE COUNCIL'S COMPLAINTS PROCEDURE**

Submitted - the report of the Cabinet Member for Housing, Customer Care and Libraries, Deprivation and Equality detailing the Council's Complaints Procedure and responding to questions provided in advance in relation to:-

- How the new procedure differed from what had happened in the past and how it was of benefit to the residents of Gwynedd.
- The outcomes for the residents of Gwynedd and evidence to prove that.
- The relationship with Galw Gwynedd and Siopau Gwynedd as the first points of contact
- The services' response to the new procedure.
- Staff training on the new procedure and how to deal with complaints.
- Lessons learnt over the past year and how they had been communicated.

The Cabinet Member and officers expanded on the written responses in the report, and also responded to further questions / observations from the members.

The Chairman summarised the main message of the discussion as follows:-

- There was concern regarding the capacity of Galw Gwynedd to answer calls.
- It was recommended that information regarding formal investigations should be shared with local members if it was seen that a pattern of complaints had developed in a specific area.
- The fact that the support resource to co-ordinate the new procedure operated independently and looked at the situation from the customer's perspective, whilst responding to complaints in a timely manner, was appreciated.
- There was a need to ensure consistency and learn lessons from the Social Services' complaints procedure.

The Cabinet Member and the officers were thanked for the discussion and it was noted that they may be requested to come back before the committee in a year's time.

#### **4. THE BENEFITS TO GWYNEDD FROM RETAINING THE BUSINESS RATES**

The Chairman explained that:-

- During a discussion at the Full Council in October 2015, a member drew the Council's attention to the fact that the central Government in England had decided that English local councils would get to keep all the business rates to be re-invested locally but that this was not the situation in Wales.
- In response to a motion by the member to make contact with Welsh Government to ask for the same conditions in Wales, the Chief Executive had suggested that detailed scrutiny work should be undertaken prior to that, to discover whether the same regime in Wales would likely lead to benefits, losses, opportunities or hazards for Gwynedd.

Submitted - the report of the Cabinet Member for Resources and the Cabinet Member for Economy inviting the committee to scrutinise and consider the benefits and risks of retaining business rates locally and responding to questions provided in advance in relation to:-

- The content of the Chancellor's statement.
- The impact on local authorities in England.
- The implications for Gwynedd should the same conditions be available in Wales.
- The likelihood for Gwynedd to see benefits, losses, opportunities or hazards from retaining the business rates collected locally.

The Head of Finance Department and the Senior Manager - Revenue and Risk expanded on the written responses in the report, and also responded to further questions / observations from the members.

The Chairman summarised the main message of the discussion as follows:-

- That the Cabinet Members and the officers should be congratulated for writing a clear and coherent report on a very complex matter.
- Having looked at the opportunities and the risks, the committee had not been convinced at present that introducing the same conditions in Wales would bring any benefits to Gwynedd; rather, it was of the opinion that it would create significant risks.
- That it was premature to lobby the Assembly at present.
- Should more details emerge regarding similar developments for Wales, to recommend that the Corporate Scrutiny Committee carries out further scrutiny work on the matter at that time.

The Cabinet Members and the officers were thanked for the discussion.

The meeting commenced at 2.30 pm and concluded at 3.45 pm

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**CHAIRMAN**

# Agenda Item 7

<b>MEETING</b>	<b>CORPORATE SCRUTINY COMMITTEE</b>
<b>DATE</b>	<b>16 JUNE, 2016</b>
<b>TITLE</b>	<b>CABINET RESPONSE TO RECOMMENDATIONS PRESENTED BY THE CORPORATE SCRUTINY COMMITTEE</b>
<b>PURPOSE</b>	<b>Report to Scrutiny Committee following presenting the recommendations to Cabinet</b>
<b>AUTHORS</b>	<b>Councillor Dyfrig Jones, Chair Corporate Scrutiny Committee</b>
	<b>Vera Jones, Democratic Services Manager</b>

## INTRODUCTION

1. Following recent observations in a report by the Wales Audit Office and in a questionnaire amongst Cabinet members and senior officers, the need to improve the link and dialogue between individual scrutiny committees and the Cabinet has been identified in order to secure greater continuity following scrutiny work.
2. As a pilot, a paper was presented to the Cabinet on 15th December drawing the Cabinet's formal attention to the recent work of the committee, in order have a formal public discussion on the response of the Cabinet as a whole and individual Cabinet Members to scrutiny recommendations. The item was a success, and therefore it was decided that all scrutiny committees would follow the same pattern.
3. The Chairman of the Corporate Scrutiny Committee presented recommendations from recent scrutiny committee meetings to the Cabinet meeting held on 3rd May, 2016. There was an open and honest discussion with the Cabinet, and they stated that they appreciated the chance to understand the context of the discussion around a few recommendations. The web-cast of the discussion is available, but in Welsh only as there were no non Welsh speakers present at the meeting <http://www.gwynedd.public-i.tv/core/portal/webcasts> (See item 4).
4. The purpose of this report is to report formally back to the Scrutiny Committee on what was agreed by the Cabinet. For the committee's information, the Cabinet's conclusion was that the discussion was beneficial and it was agreed to continue with the system of discussing matters arising from Scrutiny Committees at Cabinet meetings in the future, with a minute of that discussion being circulated amongst the Scrutiny Committee members.

## ITEMS

5. Three items were presented for the Cabinet's attention. They are summarised here together with the response to each:-



**A. ITEM – GWYNEDD COUNCIL PROCUREMENT STRATEGY - CATEGORY MANAGEMENT AND KEEPING THE BENEFITS LOCAL**

**RECOMMENDATIONS OF THE SCRUTINY COMMITTEE**

Considered – A report by the Economy Cabinet Member (Councillor Mandy Williams-Davies) on the developments to date of introducing category management as the new procurement arrangement for the Council, including any lessons learnt through the experiences in the Care sector to date. Ensuring that benefits were kept local whilst procuring was also considered, along with any steps taken to encourage local businesses to develop.

Resolved

- a) There was no evidence to date whether category management arrangements worked better than the previous arrangements. Progress on the procurement strategy should be monitored by this committee in 6 months' time, and regularly thereafter.
- b) Note concern regarding the impact of any possible cuts on departments' abilities to support. Particular concern was noted for the Economy and Community Department, to drive the local element and the impact of that on the county's economic success more generally.
- c) Rooting the strategy in Ffordd Gwynedd principles, by consistently listening to the messages that come back from the local sector and adapting the strategy accordingly.
- d) That there was a need to offer support in promoting and creating opportunities for local businesses, social enterprises, etc., to develop businesses by identifying the gaps in the market, including encouraging individuals to establish new businesses
- e) The message about the new arrangements should be spread across the Council, so that everyone knew about and understood clearly what the new arrangements are.

**CABINET RESPONSE**

Cllr. Mandy Williams-Davies noted the aspiration to increase the benefits that are kept local and explained the need to raise awareness, both within and outside of the Council. She also noted her readiness to update the Scrutiny Committee every 6 months and welcomed any further discussions. It was confirmed that progress on the procurement strategy, with particular attention to category management will be revisited in 6 months.

Note – the report can be scheduled for the October meeting of the committee.

**B. ITEM – DRAFT INFORMATION TECHNOLOGY STRATEGY**

**RECOMMENDATIONS OF THE SCRUTINY COMMITTEE**

Considered – A report by the Resources Cabinet Member (Councillor Peredur Jenkins) and the Senior Information Technology and Transformation Manager on the content of the draft Information Technology Strategy. As part of the discussions, efficiency and value for money were discussed, with information about costs and customer satisfaction scrutinised.

Resolved

- a) It was recommended that clarity should be ensured on the success of the previous strategy and that it should be fully explained, using it as a basis for the new strategy. This would allow progress to be measured. It was recommended that there was a need for the service to identify and assess where the Council had reached, what lessons had been learned thus far, and incorporating the information as a basis to the new strategy.

- b) The IT Strategy needs to be flexible to respond to the customer's requirements (when they are known/ clear) and to be as flexible as possible within security restrictions.
- c) Ffordd Gwynedd intervention to the IT Service should be considered soon. The intervention could release resources which could be used in the areas discussed in the Strategy

**CABINET RESPONSE**

As the Cabinet were discussing the item later on the agenda of the meeting, only a brief discussion was held on this item. Cllr. Peredur Jenkins welcomed the points presented by the Scrutiny Committee and thanked the Committee for its part in the discussions.

**C. ITEM – THE BENEFITS TO GWYNEDD FROM RETAINING BUSINESS RATES**

**RECOMMENDATIONS OF THE SCRUTINY COMMITTEE**

In a discussion relating to business rates in the full Council in October 2015, an Elected Member drew to the attention of the Council that central Government in England has decided that English local councils are to keep all business rates to invest locally. It was explained that this is not the situation in Wales.

Considered – A report by the Resources Cabinet Member (Councillor Peredur Jenkins), the Head of Finance and the Senior Manager Revenues and Risk outlining the probable outcome in Gwynedd should the Welsh Government adopt the same provision in Wales. The Scrutiny undertaken was to assess whether the same regime in Wales would be likely to lead to benefits, losses, opportunities, or risks for Gwynedd. Following that work, the Council could decide if it wanted to contact the Welsh Government.

Resolved

- a) It appears that the situation in England is complex. Following consideration of the information presented, there is no assurance that Gwynedd would benefit from the same provisions. Indeed, it appears that there would be substantial risks to Gwynedd.
- b) The Committee therefore recommends that the Council should not, at this moment, proceed to write to the Welsh Government asking for the same provision in Wales.
- c) Should further information arise with regards to similar developments in Wales, it is recommended that further work be undertaken at that time by the Corporate Scrutiny Committee.

**CABINET RESPONSE**

Cllr. Dyfrig Siencyn welcomed the points presented by the Scrutiny Committee and noted the recommendation that the Council should not, at this moment, proceed to write to the Welsh Government asking for the same provision in Wales as is present in England.

# **SCRUTINY INVESTIGATION REPORT**

## **HOLIDAY HOMES AND TAXES**

**Investigation Members**

Councillor Eirwyn Williams (Chairman)

Councillor Trevor Edwards

Councillor Aled Evans

Councillor Jason Humphreys

Councillor Dyfrig Jones

Councillor John Wyn Williams

Councillor R H Wyn Williams

**Officers**

Dafydd Edwards (Head of Finance)

Dewi A Morgan (Senior Revenue and Risk Manager)

Euryl Lloyd Jones (Taxation Manager)

Emyr Edwards (Strategic Policy Manager - Resources)

Nia Davies (Planning Policy Manager)

Vera Jones (Lead Officer - scrutiny)

Eirian Roberts (Support officer)

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<b>Appendix 2</b> - data and background information submitted to the investigation.
<b>Appendix 3</b> – update to the figures submitted to the original investigation.
<b>Appendix 4</b> - notes of the meeting with the Chief Valuer Wales, Valuation Agency
<b>Appendix 5</b> - meeting notes <ul style="list-style-type: none"><li>a) Planning side</li><li>b) Research into the situation in other councils</li></ul>
<b>Appendix 6</b> - Gwynedd Council's response to the Welsh Government's technical consultation on the draft version of the Non-domestic Rating (Definition of Domestic Property) Order (Wales) 2015 and the supplementary guidance for taxpayers back in September 2015.
<b>Appendix 7</b> - notes of meeting with Joanna Valentine, Head of Local Taxes within the Department of Local Government, Welsh Government
<b>Appendix 8</b> - copy of Pembrokeshire's correspondence to the Welsh Government

## 1. Background

- 1.1 The Cabinet Member for Resources (Councillor Peredur Jenkins) submitted a number of papers to the Corporate Scrutiny Committee preparatory meeting responding to the committee's questions regarding taxing "second homes" and "self-serviced units", and the situation in Gwynedd. It was clear to see that there was an annual challenge of protecting the taxation base and a financial loss in light of properties transferring out of the Council Tax system to Non-domestic Rates.
- 1.2 The Cabinet Member for Resources asked the committee to establish an investigation to scrutinise the matter on his behalf, by looking at what was happening in other counties, and draw up recommendations for his attention.
- 1.3 A copy of the investigation's full brief is available in **Appendix 1**.

## 2. Context

- 2.1 There is a clear definition within the law for "Second Homes", which are subject to Council Tax, and "Self-serviced Units", namely holiday homes that are within the Non-domestic Rates system - the definitions can be seen in the papers in **Appendix 2**.
- 2.2 The legal requirements for a "self-serviced unit" is that it is available to let for 140 days a year (rolling year) and that it has been let for 70 days. Note, according to law, there is no restriction on use for the remainder of the time.
- 2.3 Every dwelling will start within the Council Tax system (even if they have been granted planning permission for a new dwelling such as self-serviced units).
- 2.4 In recent years, the figures to hand indicate that a number of dwellings transfer out of the Council Tax system to the Non-domestic Rates system. The table including the information can be seen in Appendix 2, with the updated figures presented in **Appendix 3**.
- 2.5 There is an impact on the taxation base and a financial loss for the Council in light of properties that transfer out of the Council Tax system to Non-domestic Rates.

### **3. Purpose of the Scrutiny Investigation**

- 3.1 The purpose of the scrutiny investigation was to look at the situation of other councils in the context of transfers from the Council Tax system to the Non-domestic Rates system, and to find practical solutions in order to deal with the situation in Gwynedd and prevent or decrease any unsuitable transfers.
- 3.2 In order to be able to come to a conclusion, the purpose of the investigation was to:
  - a) Understand the situation in Gwynedd and its impact
  - b) Understand the role and responsibilities of the Valuation Office and scrutinise them
  - c) Understand the role and responsibilities of Welsh Government and scrutinise them (while providing an independent input in response to Welsh Government's technical consultation on the field at the same time)
  - ch) Research the situation in other councils, including England, to see whether or not the same problems existed and to see whether or not they had learned any lessons.
- 3.3 The focus of the investigation was those properties that transferred out of the Council Tax system to Non-domestic Rates. There was no opportunity within the scope of this investigation to consider other matters within the field.

#### 4. Main Activity of the Investigation

4.1 A work programme that sought to address the brief was agreed upon. There were several different elements to the work, and members of the investigation wish to thank everyone who gave their time to come to answer the questions of the investigation in Gwynedd. See below a summary of the work in response to the brief.

#### 4.2 Understanding the situation in Gwynedd and its impact.

Considerable work was undertaken by the Head of Finance and his officers submitting evidence in order to ensure investigation members' understanding of the situation in Gwynedd. The following were submitted:

- a) information about regulations associated with "second homes" and "self-serviced units" and the specific definitions that must be met before being able to transfer from one system to the other,
- b) data indicating trends in recent years in terms of movement between the Council Tax system and the Non-domestic Rates system and
- c) the financial impact of the transfers on the Council was explained.

In addition, evidence was seen of continuous correspondence from the Council to the Welsh Government putting pressure on them to act to tighten the regulations for transferring. A record of matters raised can be seen in **Appendix 2**. The figures have been updated and presented in **Appendix 3**.

#### 4.3 Understanding the role and responsibilities of the Valuation Office and scrutinising them.

An interview with Mr Ritchie Roberts, Chief Valuer Wales/Valuation Officer from the Valuation Office Agency was held. By interviewing the Chief Valuer Wales, there was an opportunity to:

- a) ensure a clearer understanding of the legal requirements on individuals who submit a legal application to transfer a dwelling to a non-domestic rates system,
- b) role of the Valuation Office in the context of the transfers, namely that they determine whether or not a property transfers from a Council Tax system to a Non-domestic Rates system (this is not the Council's decision)
- c) understand and appreciate the continuous collaboration that has been established between Gwynedd Council and the Valuation Office to verify the status of dwellings, seeking to ensure that they are on the correct list.

In addition, the Valuer confirmed that Gwynedd Council was the only local authority in Wales that had expressed concern about the field. Members of the investigation noted that they had appreciated the time of the Chief Valuer Wales attending the interview to ensure a more thorough understanding of the situation and to have an opportunity to question him further. A record of the meeting held can be seen in **Appendix 4**.

#### 4.4 Understanding Planning's role.

As the investigation progressed, it became apparent that there was a difference in definition and restrictions imposed on properties in relation to the planning system, and what was imposed by the taxation system. Essentially, they are two separate systems without any current link. In order to ensure a clearer understanding by members of the investigation, an interview was held with Nia Davies, Planning Policy Manager to seek a better understanding of the different definitions. This was



an additional element to what had been anticipated at the beginning of the investigation, but it was a crucially important element to understand and be able to create recommendations. A record of the meeting can be seen in **Appendix 5**.

4.5 Research into the situation of other Councils.

A brief presentation was given by the Strategic Policy Manager - Resources on the outcomes of his research into the situation in other councils. Except for London and the Isles of Scilly, it was noted that Gwynedd was the highest throughout England and Wales in terms of second homes, and that discussions had been held in the past with some of the councils but that there was not much interest at the time. A record of the meeting can be seen in **Appendix 5**.

4.6 Understanding and scrutinising the role of the Welsh Government.

There were two elements to this work. Firstly, members of the investigation submitted independent observations to respond to the Welsh Government's technical consultation on the draft version of the Non-domestic Rating (Definition of Domestic Property) Order (Wales) 2015 and the supplementary guidance for taxpayers back in September 2015. See **Appendix 6**.

In addition, members of the investigation interviewed Joanna Valentine, Head of Local Taxes within the Department of Local Government, Welsh Government who is responsible for secondary policies and legislation in the context of Council tax in Wales. Discussions were held regarding the rules for "self-serviced units" and the possibility of changing/adapting them. Also, the opportunity was taken to discuss the rateable value of small businesses that are part of the non-domestic rates system, and the current small business rates relief arrangements. An update was received on developments that were in the pipeline to move towards better formal collaboration between the Valuation Agency in order to share information with councils. See record in **Appendix 7**.

## 5. Main Findings of the Investigation, and recommendations.

- 5.1 The work of the investigation has proved to be a very valuable experience for members of the investigation, especially in terms of ensuring a clearer understanding of the situation and regulations, including also eliminating some prejudice about the field based on a lack of evidence.
- 5.2 In order to realise the changes that scrutiny members believe that need to be made, a change in legislations will be required in the field, which is relatively challenging to achieve as they are beyond the direct powers of the Council.
- 5.3 However, it has become apparent that Gwynedd is quite a lone voice as it calls for the changes. The impact on Gwynedd is substantially higher than other Welsh councils. It is a substantially lower matter by other Welsh councils, while Gwynedd Council seeks to strike a balance between tourism, ensuring fairness for local small businesses, and protecting areas in order to safeguard the Welsh language.
- 5.4 The investigation has noted some recommendations for the Cabinet Member, but confirms that there is no simple solution to the situation. Essentially, it involves continuous work to try to persuade/influence others, rather than a situation where Gwynedd can undertake changes itself in order to change the situation.
- 5.5 The following recommendations are submitted.

<b>1. The Taxation System.</b>
<b>Findings –</b> <ul style="list-style-type: none"><li>• An inconsistency remains in the criteria to let self-serviced units, with the requirements of Order 2010 noting 70 days of actual letting, and the HMRC requirements noting 105 days of actual letting.</li><li>• Gwynedd is the authority that draws the attention of Welsh Government and the Valuation Office to the problems. Recently, Pembrokeshire has also corresponded with Welsh Government on the matter (see <b>Appendix 8</b>).</li></ul>
<b>Evidence –</b> <ul style="list-style-type: none"><li>• The Council's work to lobby/persuade in the past has borne fruition as it has prevented the Government from relaxing the rules (as had been intended originally) in the context of regulations to identify real "self-serviced units".</li><li>• Should more than one authority hold discussions with different agencies, the argument would then be strengthened.</li></ul>
<b>Recommendation to the Cabinet Member –</b> <p>Contact the Welsh Government (at the same time as the planning matter) to continue to try to persuade them to reconcile their criteria to let self-serviced units to correspond with HMRC requirements, namely 105 days.</p> <p>At the same time, raise the awareness of other authorities in Wales that have a similar profile to</p>

Gwynedd (in terms of second home profile) to try to raise their awareness of the above, and encourage them to assist us with the task of persuasion.

## **2. The Valuation System**

### **Findings –**

- The rateable value of small businesses appears to be low, especially in comparison with the letting income. Consequently, the business rate paid is low, and less than a council tax bill.
- The Valuation Office verifies that dwellings are on the correct lists to pay either Council Tax or Non-domestic Rates. However, at a time of diminishing resources, the investigation felt eager to ensure that the verifying process for any applications to move from one system to the other should be undertaken as soon as possible, with adequate challenge.

### **Evidence –**

- It is known that the income of "self-serviced units" is part of the formula to try to identify the rateable value of small businesses.
- All dwellings on the non-domestic rates list is subject to long term re-evaluation work, with a statutory requirement for an updated value list to be in place by 1 April 2017.
- It is anticipated that the rateable value of a self-serviced property will generally be assessed as being higher.
- In the long term, should this happen, it could lead to the rateable value of self-serviced properties generally being assessed as higher, which in turn would possibly make it less attractive for individuals to make an application to transfer out of the Council tax system to the non-domestic rates system.
- Good collaborative working arrangements have been established between Gwynedd Council and the Valuation Office, which ensure that details are verified before dwellings are transferred out of the Council Tax system to the Non-domestic Rates system.

### **Recommendation to the Cabinet Member –**

Although it would entail British working changes in the field, it is suggested that the Valuation Office should be contacted to discuss the work of assessing rateable value in order to ensure a fair rateable value for self-serviced units.

Seek the support of other authorities with this (see below).

## **3. The Planning System**

### **Findings –**

Currently, no planning permission is usually required to change the use of a property from a "household" into a "self-serviced unit" because, in terms of planning land use, that does not amount to a "material change of use", i.e. no significant change takes place in the way the property is used.

### **Evidence –**

- The Town and Country Planning Order (Use Class) grants land uses to different groups. Residential use / housing are in Use Class Group C3.
- Planning permission is required for many types of change of use in buildings e.g. from a shop to a café to ensure control over the impact of an alternative use on nearby land or

buildings.

- Currently, the Order does not differentiate between houses used permanently and those that are only used occasionally during the year.
- The need to ensure planning permission to change the use of a property from one that is used permanently / as the main home to one that is used occasionally would make it easier to identify the different types of properties in Gwynedd and to ensure registration to pay the correct rate.
- As a result of lobbying, the Order in England has been adapted, and, very recently the same result in Wales, in relation to multiple occupation housing to ensure control of appropriate use of properties.

**Recommendation to the Cabinet Member –**

Contact jointly with the Cabinet Member for Planning and Regulation, the Welsh Government again to try to encourage them to change the relevant Order so that planning permission is required to change the use of a 'household' to a "self-serviced unit".

Seek the support of other authorities with this (see above).

## **6. The Next Steps**

The Cabinet Member for Resources has received continuous updates throughout the period of the investigation, and although there has been a delay prior to submitting the official report to the Corporate Scrutiny Committee, the Cabinet Member was aware of the direction and draft recommendations.

## **Scrutiny Investigation – Holiday Homes and Taxation**

### **Version 3.00 of the Scope**

#### **Background**

“Second Homes”, which are subject to Council Tax, and “Self Catering Accommodation”, namely holiday homes which are subject to Non-domestic Rates are clearly defined within the law.

The Resources Cabinet Member provided a number of papers to the preparatory meeting held on the 20/05/2015 answering questions raised by the Corporate Scrutiny Committee with regards to taxation of “second homes” and “self catering accommodation” and the situation in Gwynedd. It clearly showed the annual challenge of protecting the taxable base and the budget due to property moving from Council Taxation to Non-domestic rates.

The Resources Cabinet Member requested that the Corporate Scrutiny Committee undertake a Scrutiny investigation into the matter on his behalf, looking at what is happening in other areas, drawing up recommendations to present to him.

The focus of this investigation is the properties moving from Council Taxation to Non-domestic Rates. We will not be considering any other matters within the field.

#### **Purpose of the Investigation**

The purpose of the Scrutiny Investigation is to look at other authorities with regards to transfers from Council Tax to Non-domestic rates and try to find practical solutions to deal with the situation, leading to slowing down or preventing the number of transfers.

In order to fulfill the purpose we will need to:

- Understand the situation in Gwynedd and its effect
- Understand the role and responsibilities of the Valuation Office and scrutinise their work
- Understand the role and responsibilities of Welsh Government (in this context) and scrutinise their work (give independent input into the Welsh Government technical consultation in this field).
- Research into the situation in other authorities, including England, to see if they face the same challenges, and if any lessons can be learnt from others.

## Investigation Timescale

Start	September 2015
End of investigation	December 2015
Report to the Corporate Scrutiny Committee	3rd December 2015 or 4th February 2016
Report from the Scrutiny committee to the Cabinet member	Early in 2016

## Programme

Outline of the main stages and meetings.

**Members will be required to undertake additional work between meetings.**

1.	Presentation from the Cabinet Member for Resources and the Head of Finance to the opening meeting to try and understand the current situation in Gwynedd.	September 3rd
2.	Question and answer session with the Valuation Office	October 13th
3.	Question and answer session with Welsh Government	To be arranged
4.	Question and answer session with the Planning Department in order to establish if there are any opportunities within the planning process to change the situation	To be arranged
5.	Presentation of information about other authorities, and start to consider and summarise the information collated in order to try and form some recommendations.	November
6.	Draft report	
7.	Corporate Scrutiny Committee to consider the report and present the recommendations to the Cabinet Member	

**Questions of the Scrutiny Committee regarding Second Homes and Holiday Homes which are subject to**

**Non-domestic Rates**

**Definitions**

There are clear definitions within the law for "Second Homes", which are subject to Council Tax, and "Self-serviced Units", namely holiday homes that are within the Non-domestic Rates system.

**Definition: "Second Homes"**

The law states that "Second Homes" in Wales are properties **that are not the sole or main residence of an individual, and which has been furnished.**

*(The law also divides second homes into Class A or Class B, depending whether or not its occupation has been prohibited by law for a continuous period of at least 28 days in the relevant year).*

**Definition: "Self-serviced Unit"**

There is also a specific definition of a "Self-serviced Unit" within the Non-domestic Rates system. The Valuation Office assesses properties, but following such an assessment, a property can transfer to the Non-domestic Rates system if the Valuation Office is satisfied that the following have been met:

The property is available to be commercially let as self-serviced accommodation for periods that come to a total of 140 days or more for a minimum period of 12 calendar months **after** the assessment, and if, in the 12 calendar months **before** the assessment -

- (i) the property is available to be commercially let as self-serviced accommodation for periods that come to a total of 140 days or more; **and**
- (ii) therefore, the property was let for periods that came to a total of 70 days or more.

**Questions of the Scrutiny Committee**

- i. What is the county-wide picture in terms of properties that are let as holiday accommodation for a small portion of the year, and what is their tax contribution?

A total of **5,544** second homes have been recorded within the Council Tax system in Gwynedd, and **776** "self-serviced units" have been recorded within the Non-domestic Rates system. **Appendix A** includes an analysis of these figures per community.

- ii. What sort of challenges/opportunities does this picture create for Gwynedd?

An annual challenge of protecting the taxation base and the budget is faced in light of properties transferring out of the Council Tax system to the Non-domestic Rates system, which means that less tax is paid.



Charging a premium on second homes would be an opportunity to address the decline in the taxation base.

- iii. Is the pattern of properties that are let as holiday accommodation for a small portion of the year transferring from one tax system to the other (from Council tax to business rates) continuing? If so, what is its effect on the tax base and the local budget?

**Appendix B** shows the number of properties that have transferred from the Council Tax system to the Non-domestic Rates system since April 2006. It is also noted that it is possible to back-date the property transfer from the Council Tax system, but that no back-dating is possible for grant purposes to compensate us.

- iv. How can the Council ensure fair taxes on holiday homes that are let for a small portion of the year on the one hand and protect local small businesses on the other?

The Council protects local small businesses by implementing a Welsh Government scheme that is involved with small business non-domestic rates relief, but if a property is let for 70 days, it is not possible to charge Council Tax on the property.

- v. What was the result of the consultation on the findings of the Report on the Impact of the Non-domestic Rating (Definition of Domestic Property) (Wales) Order 2010?

Not decided. Enquiries were made regarding the matter and please see the letter from the Cabinet Member for Resources to Jo Valentine from the Finance Policy Division, Welsh Government, dated 27 March 2015 together with Jo Valentine's response to that letter, dated 27 April 2015.

- vi. The Council had concerns regarding the Welsh Government's desire to relax the requirements on the type of properties in question. Should the Welsh Government decide to relax the requirements, what would be the effect of this on the Council, on the owners of properties that are let for a small portion of the year, and on the rest of Gwynedd's residents?

That would add to the concerns of losing properties from the Council Tax system to the Non-domestic Rates system. Please see the letter from the Cabinet Member for Resources, dated 19 March 2014, which was sent to the Welsh Government in response to the threat in question. Note that any relaxation of requirements is objected and that the Council in response recommended to tighten the current system by extending the period to 105 days.

- vii. What powers does the Council have to ensure a fair tax contribution on properties that are let as holiday accommodation for a small portion of the year?

The power to legislate lies with the Welsh Government. The power in relation to designating the rateable value of properties for a Non-domestic Rates assessment or designating a Council Tax band for the Council Tax system lies with the Valuation Office Agency (a division of the Government's Revenue and Customs Department).

viii. How easy is it to monitor and ensure a fair tax contribution on properties that are let as holiday accommodation for a small portion of the year?

This element, as the above, is the responsibility of the Valuation Office Agency.

ix. Is the Council aware of the responses from other Councils and the Welsh Government to this matter?

Other councils' written responses are scarce and a verbal response is not very supportive of Gwynedd Council's viewpoint.

## Appendix A

Number of properties designated as second homes for Council Tax purposes, per Community:

Community	Council Tax - Second Homes			Non-domestic Rates
	Class	Class B	Total	Self-serviced Units
ABERDARON	0	135	135	31
BEDDGELERT	0	73	73	27
BOTWNNOG	0	44	44	7
BUAN	0	35	35	2
CLYNNOG	1	54	55	13
CRICCIETH	0	79	79	26
DOLBENMAEN	0	66	66	24
LLANAELHAEARN	0	40	40	3
LLANBEDROG	25	155	180	8
LLANENGAN	13	658	671	40
LLANNOR	0	36	36	14
LLANYSTUMDWY	13	50	63	32
NEFYN	11	283	294	32
PISTYLL	0	51	51	15
PORTHMADOG	17	312	329	57
PWLLHELI	0	82	82	8
TUDWEILIOG	0	71	71	13
BANGOR	0	39	39	1
CAERNARFON	0	26	26	7
BETHESDA	0	22	22	2
BETWS GARMON	0	33	33	6
LLANBERIS	1	38	39	5
LLANDDEINIOLEN	0	52	52	10
LLANDWROG	0	42	42	10
BONTNEWYDD	1	4	5	7
FELINHELI	0	85	85	6
LLANLLYFNI	0	60	60	2
LLANRUG	160	23	183	11
LLANWENDA	16	15	31	2
WAUNFAWR	31	10	41	4
ABER	0	5	5	0
LLANDYGAI	0	26	26	4
LLANLLECHID	0	8	8	2
PENTIR	0	19	19	4
BALA	0	17	17	6
LLANDDERFEL	0	32	32	16
LLANGYWAIR	0	16	16	2
LLANUWCHLLYN	0	21	21	4

LLANYCIL	0	14	14	2
TYWYN	18	203	221	16
BRYNCRUG	44	23	67	7
ABERDYFI	57	328	385	35
BARMOUTH	1	145	146	24
DOLGELLAU	0	79	79	20
BRITHDIR & LLANFRACHETH	0	59	59	19
GANLLWYD	0	10	10	5
LLANEGRYN	0	11	11	5
LLANELLYD	0	43	43	8
DYFFRYN ARDUDWY	42	84	126	17
LLANFIHANGEL Y PENNANT	1	58	59	5
ARTHOE	4	142	146	13
LLANGELYNIN	0	54	54	11
MAWDDWY	5	42	47	14
PENNAL	18	46	64	7
CORRIS	12	48	60	3
FFESTINIOG	0	141	141	22
LLANBEDR	2	39	41	13
HARLECH	0	124	124	17
LLANFAIR	0	64	64	7
LLANFROTHEN	0	19	19	6
MAENTWROG	0	40	40	7
PENRHYNDEUDRAETH	0	39	39	9
TALSARNAU	0	55	55	9
TRAWSFYNYDD	289	35	324	12
<b>TOTAL</b>	782	4762	5544	776

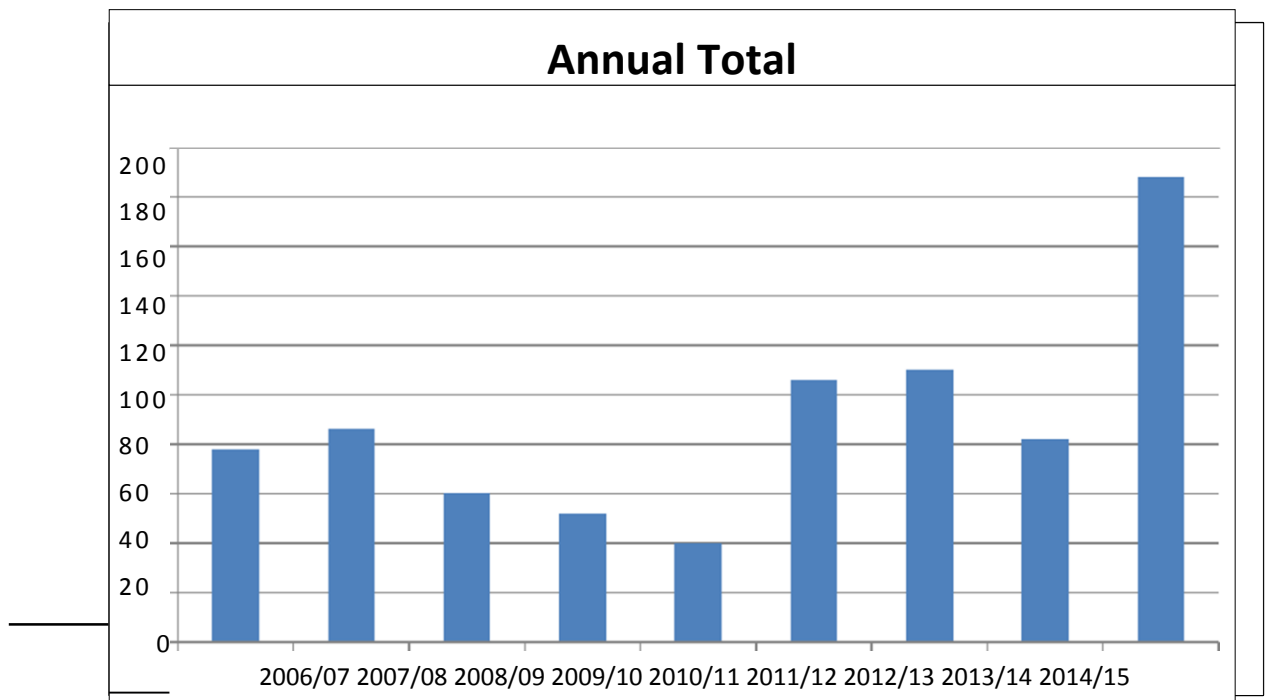
**Class A:** A Second Home where its occupation has been prohibited by law for a continuous period of at least 28 days in the relevant year.

**Class B:** A Second Home where its occupation has not been prohibited by law for a continuous period of at least 28 days in the relevant year.

## APPENDIX B

Number of domestic units lost from the Council Tax system to the Non-domestic Rates system since April 2006.

<b>Financial Year</b>	<b>Annual Total</b>
2006/07	78
2007/08	86
2008/09	60
2009/10	52
2010/11	40
2011/12	106
2012/13	110
2013/14	82
2014/15	188
<b>Total during the period</b>	<b>802</b>



Llywodraeth Leol a Chymunedau  
Local Government and Communities



**Llywodraeth Cymru**  
**Welsh Government**

Councillor Peredur Jenkins  
Cabinet Member for Resources  
Gwynedd Council  
Caernarfon  
Gwynedd  
LL55 1SH

27 April 2015

Dear Councillor Jenkins,

## **COUNCIL TAX**

Thank you for your letter in relation to the recent consultation that was published on potential exceptions from the Council Tax premium on second homes. I look forward to receiving your detailed response in due course.

I understand your concerns regarding second homes and self-serviced properties in your area and the impact of this on your council's taxation base. As you know, we are in the process of researching with solicitors in terms of what improvements are possible to make to the Non-domestic Rating (Definition of Domestic Property) (Wales) Order 2010 in order to address matters raised - this includes concerns from the tourism industry, as well as local authorities' concerns. Your officers have been involved with this work, in the same manner as the Valuation Office Agency and HMRC, with the Welsh Government's Planning Department also advising on this work. Subject to approval from the Minister, we intend to publish a technical consultation in the summer on an amended Order and supplementary guidance.

In the meantime, we have held discussions with the Valuation Office Agency regarding additional support they can provide your council to try to limit second home transfers from the council tax list onto the business list, and I am given to understand that some additional checks have been put into place.

We recognise that effective administration of the Non-domestic Rating (Definition of Domestic Property) (Wales) Order is essential in terms of your council's ability to charge council tax premium on second homes. Ministers have also been informed that introducing the premium will give second home owners an extra incentive to be made responsible for non-domestic rates rather than the council tax.

The recent consultations on council tax premiums mainly focused on potential exceptions that could be required for the premiums, rather than specifically implementing the premium. As a result, it was decided not to include a detailed section on the Non-domestic Rating (Definition of Domestic Property) (Wales) 2010. The technical consultation on the amended Order will specifically consider what will be the impact of implementing the council tax premiums.

It should also be noted that council tax premiums will not be implemented until 1 April 2017, and we intend to review the effectiveness of the amended Order to consider any further improvements that are required prior to introducing the premiums.

I would like to sincerely apologise for the delay in responding to you.

Yours sincerely

**Jo Valentine**

Local Government Finance Policy Division / Yr Is-adran Polisi Cyllid Llywodraeth Leol  
Welsh Government / Llywodraeth Cymru

**Aelod Cabinet Adnoddau**  
**Cabinet Member Resources**  
Y Cyngorydd / Councillor Peredur Jenkins



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Joanna Valentine  
Head of Local Taxation Policy  
Local Government Finance and Performance Division  
Welsh Government  
Cathays Park  
Cardiff  
CF10 3NQ

27 March 2015

27

Dear Ms Valentine,

**COUNCIL TAX**

Thank you for your consultation document "Exceptions from Council Tax Premiums on Second Homes in Wales". We will be providing a comprehensive response to that consultation in due course, before the closing date, and I would like to draw your attention to one fundamental matter before then.

I was surprised and disappointed as I read the document as there was no reference in it to the conclusions of the previous consultation on the criteria in the 2010 Order (*The Non Domestic Rating (Definition of Domestic Property) Wales Order 2010*) to determine whether or not Council Tax or business rates are appropriate to a property. There is a clear link between the statutory definition in the Order and protecting the additional tax that will be charged through the premium, and any benefit that will derive from increasing the premium will depend to a vast degree on the Order's strength and resilience.

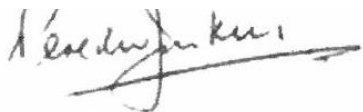
Therefore, it is reasonable to expect that this matter would have received deserved and appropriate attention in the current consultation and you will be aware that officers and members of this Council took advantage of every opportunity to draw the attention of officers and the Minister to this matter over a period of time. I am also aware that officers from the Council informed you of the continuous number of houses which transfer out of the Council Tax system to business rates.

The Council welcomed the requirement in the 2010 Order for 70 days of actual letting, and we continue to be of the opinion that this is insufficient, and we wish to see consistency with HMRC's criteria, namely 105 days. In addition, we have called for the planning law to be amended so that planning permission is required before a property is moved from the local housing stock to a business field since April 2007 at least. We would also wish to see that permission being reviewed on an annual basis.



Rather than providing full copies of all correspondence that has been sent to you on the matter, in response to various consultations, I enclose the dates of correspondences that were sent by the Council in an appendix, and quote some relevant parts. I trust that our concerns were considered in detail at the time and that this will continue, and that we will receive a favourable response by further tightening of the criteria of the 2010 Order as an integral part of the new powers. This would allow us to introduce and administrate a premium on a strong basis, and it would be a strong tool for councils as they realised the aim of any proposed policy.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peredur Jenkins', with a long horizontal stroke extending to the right.

**PEREDUR JENKINS  
CABINET MEMBER FOR  
RESOURCES**

Enc.

## Appendix 1

### **April 2007 - Welsh Government Consultation regarding small business rates relief for commercially let self-serviced units**

"...that current regulations under the Planning Act are insufficient to differentiate between residential use and holiday and commercial use ... as losing residential housing decreases the number of available housing on the market for local people and intensifies the affordability matter, especially in coastal and rural areas. There is a need to co-ordinate the strategy between affordable housing policies and it would not be acceptable to encourage owners / buyers of residential housing to remove such properties from the market. Furthermore, it is believed that owners of residential housing need to try to obtain planning permission prior to changing the use of a property to a business such as self-serviced units."

### **30 June 2009 — response to a Consultation Paper : PROPOSALS TO AMEND THE CRITERIA TO CHARGE NON-DOMESTIC / COUNCIL TAX ON COMMERCIALY LET PROPERTIES**

As a starting point, any step to tighten the criteria is welcomed, and more specifically any step that is linked to its actual use. The move to consider factors over 3 years is to be welcomed, as it would slightly force the commitment of an individual or business to the initiative, rather than for a one year period.

The factor that a property must be let for a minimum of 70 days ((b) in the paper) is certainly regarded as an improvement (it is taken for granted that definite evidence of that will have to be shown to the Valuation Agency). However, it is considered that only two months a year is a short and irrelevant period out of a whole year's use therefore, we recommend that this part of the new criteria is a minimum of 3 months (90 days).

On a practical level, if the criteria will satisfy factors over a period of 3 years, how will the date be dealt with effectively? Bearing in mind the aim of introducing timely bills, a reasonable payment plan etc. any back-dating of tax would be contrary to this.

We would be eager to go further than the proposed criteria, requesting a decision from the local authority (officer or planning committee) in order to permit the change of use from a permanent residency to a business.

### **9 October 2012 - response to a consultation on: "COUNCIL TAX AND LONG TERM EMPTY HOMES IN WALES"**

Our main concern with the proposed legislation is that it does not go far enough in order to deal with second homes (where the standard rate of tax would continue to be payable) and holiday homes (where a substantially lower level of non-domestic rate is payable). We have stated many times that Welsh Government should legislate in order to reduce the ambiguity and create suitable definitions and give billing authorities the power (by means of planning and/or local taxation arrangements) to categorise such properties (C4).

The impact of second homes varies substantially between different areas of the local authorities. Similarly, factors that impact the ability to sell / let empty properties also vary between some areas within the boundaries of individual authorities (e.g. the areas of Abersoch and Blaenau Ffestiniog within Gwynedd Council's territory). Therefore, we will support flexibility for local authorities to be able to vary the additional tax between different geographical areas of their authority (C7).

25 February 2013 - **WELSH GOVERNMENT POLICY ON COUNCIL TAX, SECOND HOMES AND HOLIDAY HOMES**

*We have stated many times that Welsh Government should legislate in order to reduce the ambiguity and create suitable definitions and give billing authorities the power (by means of planning and/or local taxation arrangements) to categorise such properties (C4).*

*By introducing regulations that allow a higher tax to be charged on empty homes without restricting the right to categorise a property as a second home, or as a business (holiday homes), nothing prevents the owner of an empty house to furnish the property and argue that it is not empty!*

*The impact of second homes varies substantially between different areas of the different local authorities and in Gwynedd there is a shortage of places for people to live, and the use of second homes drives up prices."*

You are aware that members and officers from Gwynedd Council and from the Welsh Local Government Association have raised this matter with Welsh Government on many occasions.

**19 March 2014 - response to the Consultation on the Findings of the Report on the Effect of the Non-domestic Rating (Definition of Domestic Property) (Wales) 2010 (The IRRV Paper)**

It was a significant disappointment to discover the recommendations / options with each one of this narrow range proposing to loosen the test! There is a list below of options in the order favoured the most by IRRV:

- (1) Option 4 – Provide an opportunity for the taxpayer to reach the 70 days over a five year period (similar to WASCO recommendations).
- (2) Option 1 – Approve the best year for letting over the last 3/5 years.
- (3) Option 5 – That they satisfy the test for any year during the valuation list period.
- (4) Option 3 – Allow the taxpayer to select any 12 month period over the last five years.
- (5) Option 2 – Use the average for the last 3/5 years.

**None of these above options come close to what the Council would wish to see. Each of them mean loosening the requirement and distancing from Gwynedd Council's previous recommendations.**

Fundamentally, we are of the opinion that the existing criteria, which enables a property to be treated as a business even if it has not been let for more than nine months of the year, is much more generous than the common sense definition of a "business". Any movement towards loosening the rule any further would undo the improvements undertaken to the system in response to pressure from Gwynedd Council and others over a number of years. **The proposed options would be unfair for other taxpayers who have to pay council tax in full, in addition to the "actual" tourism businesses that make a significant contribution to the local economy and therefore merit a more favourable tax treatment.**

In fact, should the requirements be loosened, it is likely that there would be another property category that would then fail to comply with the criteria by a small margin, leading to pressure to loosen the requirements even further to include those also, and consequently there is a danger of losing control of the situation in its entirety.

Rather than going down this irresponsible route, at the very least, we believe **that the criteria of 70 days of actual letting should be increased to 105 days.** This would coincide with business requirements in relation to the HMRC taxes; the Valuation Office Agency is a branch of that Government Department and the opportunity to collaborate and synchronize information between both units is relatively obvious and should be utilised.

Furthermore, as in the past, we once again press for the amending of planning regulation to that permission is required to change the use of a property to a second home or self-serviced holiday property, and to create a link between the tax system and the uses permitted under the planning system in order to have better control of the field in general.

### **13 August 2014 - LISTING PROPERTIES FOR COUNCIL TAX OR NON-DOMESTIC RATES.**

I am concerned (although the criteria has been extended by introducing 70 letting days in 2010) that the current criteria is insufficient in order to avoid substantial impropriety as properties are classed.

"Our main concern with the proposed legislation is that it does not go far enough in order to deal with second homes (where the standard rate of tax would continue to be payable) and holiday homes (where a substantially lower level of non-domestic rate is payable). We have stated many times that Welsh Government should legislate in order to reduce the ambiguity and create suitable definitions and give billing authorities the power (by means of planning and/or local taxation arrangements) to categorise such properties."

The power to charge higher council tax on second homes should include measures to improve and tighten the criteria in relation to self-serviced holiday accommodation taxation. We are very happy to assist the Welsh Government in designing a package of potential measures including, potentially, the tightening of current conditions and/or linking the conditions with planning legislation.

"Based on the above evidence, we strongly believe that introducing these powers on a joint basis with powers that have already been planned in respect of empty properties - would put councils in a better position to implement mitigation measures that could positively contribute towards a community benefit. We also believe that they go hand in hand with the aim of the Future Generations Bill, namely protecting the future of communities ensuring that they are protected from the pressures that threaten their viability and survival."

"... as a minimum, we believe that the criteria of 70 days of actual letting should be increased to 105 days. This would coincide with business requirements in relation to the HMRC taxes; the Valuation Office Agency is a branch of that Government Department and the opportunity to collaborate and synchronize information between both units is relatively obvious and should be utilised.



Paul Bryant  
Local Government Finance and Performance Division  
Welsh Government  
Cathays Park  
Cardiff  
CF10 3NQ

19 March 2014

Dear Mr Bryant,

**CONSULTATION ON THE FINDINGS OF THE REPORT ON THE EFFECT OF THE NON-DOMESTIC RATING (DEFINITION OF DOMESTIC PROPERTY) (WALES) ORDER 2010**

Firstly, we wish to thank you for the opportunity to make representations on what is referred to as a Consultation on the findings of the report on the Effect of the Non-domestic Rating (Definition of Domestic Property) (Wales) Order 2010. We submit this letter as the formal response on behalf of Gwynedd Council.

**We strongly oppose any amendments such as those proposed which appear to undo all the improvements to the system that were achieved following continuous pressure from Gwynedd Council and other councils over a lengthy period of time.**

Before proceeding to respond in full we must note our concern regarding the general lack of balance within the consultation. The Council fully appreciates the key contribution of self-catering premises to the economy, and supports continuing to deal with them as businesses within the tax system. In relation to such a system, criteria are required in order to differentiate between 'real' businesses (that contribute to tourism and the local economy for most of the year) and properties that are houses to all intents and purposes, but are let as holiday accommodation for a small proportion of the year. Inevitably – whatever the criteria may be – some properties will miss it by a margin, and it is also inevitable that the owners of those properties would wish for the criteria to be less stringent. However, this in itself is not a sufficient reason for easing the requirements (neither is the fact that it has "attracted press attention" – as noted in the consultation paper). The broader impacts should be considered as well as the justification for introducing the criteria in the first place.

The following response in full refers to two previous consultations held by the Welsh Government (and Gwynedd Council's response at the time) which can either be applied to this paper or are inextricably linked to the principles in question.

## **Background – taxation position up to 2010**

As we know, Gwynedd Council is a county with 5,600 houses that have been designated as "prescribed classes" under Section 12 of the Local Government Finance Act 1992, loosely referred to as 'second homes'.

Since the establishment of Gwynedd Council in 1996, a decision was made to charge full council tax on second homes (this was in fact a continuation of the procedure adopted by the district councils prior to reorganisation). Over the years, there were concerns as properties moved over from one tax class to the other (from council tax to business rates) and the negative impact this had on the rateable base and local budgets.

On this basis, and of course due to the excessive negative impact of second homes on the availability of local housing stock, all efforts were made by elected members and officers of this Council to tighten the criteria used by the Valuation Agency. There was an obvious financial gain for taxpayers seeking to transfer from council tax to business rates, and there was evidence to show that this was taking place over many years. The Small Business Rates Relief was extended in 2010 (to with no charge for properties below a rateable value of £6,000) which increasingly highlighted the advantages of transferring, and in response to this, the following consultation paper was published.

### **Consultation Paper to Amend the Criteria to Determine the Accountability of Non-domestic Rates on Commercially Let Properties**

In 2009, the abovementioned paper was submitted by the Welsh Government for consultation on adding 70 days of actual letting to the criteria. Gwynedd Council's response at the time welcomed this development as an improvement to the prior test, but argued that this continued to be an insufficient length of time, and also stated that the criteria should be linked with better planning control on changing the use of properties. There were other elements within our response, including the need to highlight the relationship between the criteria and income tax regulations.

The above-mentioned change (70 days of actual letting) was introduced in the form of regulations effective from April 2010. We know that tightening this criteria in 2010 has led to a detailed review which greater resembles the wishes of the Council. The following table indicates the number of properties that moved over to council tax with the need to provide letting evidence to the Valuation Office Agency.

<b>(October – October)</b>	<b>Agency Schedules</b>	<b>Council Tax to Business Rates</b>	<b>Business Rates to Council Tax</b>	<b>Coiled Net</b>
<b>2010/11</b>	276 - 322	84	81	3
<b>2011/12</b>	323 - 380	119	78	41
<b>2012/13</b>	381 - 432	81	28	53
<b>Total:</b>		284	187	97

### **Consultation on Discretionary Powers for Local Authorities to Increase Council Tax on Second Homes**

There is an obvious link between the above-mentioned recently held consultation (October 2013) and the current consultation, as the ability to implement any second home premiums is dependent on the strength and the resilience of the criteria in differentiating between second homes and business premises.

Gwynedd Council's response provided comprehensive, statistical details of the impact of second homes on the affordability of housing stock, on communities and sustainability, on businesses etc. and it would be futile to duplicate this here. Our response recommended introducing a power to raise a premium on second homes in order to contribute towards mitigating some of these problems, but also noting that the current criteria should be tightened in terms of holiday accommodation, to avoid the possibility that owners could avoid tax by letting their own property for a small part of the year.

The Welsh Government has not published its findings on this year, but we are concerned that a decision to loosen the business rate criteria could undermine the process of determining the way forward in setting premiums for second homes, by making it more difficult on a practical level to set a premium.

### **This Consultation on the findings of the IRRV's report on the Effect of the Non-domestic Rateable (Definition of Domestic Property) (Wales) Order 2010**

Based on the fact that Gwynedd Council, for a long time, has shared its concerns and pressed on the Welsh Government to tighten the existing system, and that for many reasons and factors, it is no surprise that we looked forward to the IRRV's findings and expected to see outcomes that would further protect the council tax system. We are very disappointed in the IRRV's report, to say the least. Unfortunately, we do not find any favourable aspect to the review in terms of appropriate and effective taxation.

The document is introduced by Ministers as something that required consultation following criticism of the system by businesses, tourism etc. It refers that the "tax base was being eroded" as grounds for moving to tighten the test in SI 2010 (introducing the 70 days), however; it appears that pressure from the tourist industry is the main basis for this consultation.

### **The IRRV's Report**

It is noted in different sections that the local authority suggested that 70 days were not sufficient: *"there needed to be a strategic coherence between policies ... not acceptable to encourage owners of residential housing to take such property out of the market" / "the responses from Gwynedd in particular reveal a desire to make qualification more rigorous"*. However, there is only a reference to our viewpoint and there is a tendency throughout the report in favour of loosening the criteria, for the convenience of property owners and the Valuation Office Agency, rather than a need to tighten them for justice.

### **The Options**

It was a significant disappointment to discover the recommendations / options with each one of this narrow range proposing to loosen the test! There is a list below of options in the order favoured the most by IRRV:

- (1) Option 4 – Provide an opportunity for the taxpayer to reach the 70 days over a five year period (similar to WASCO recommendations).
- (2) Option 1 – Approve the best year for letting over the last 3/5 years.
- (3) Option 5 – That they satisfy the test for any year during the valuation list period.
- (4) Option 3 – Allow the taxpayer to select any 12 month period over the last five years.
- (5) Option 2 – Use the average for the last 3/5 years.

**None of these options come close to what the Council would wish to see. Each of them mean loosening the requirement and distancing from Gwynedd Council's previous recommendations.**

Fundamentally, we are of the opinion that the existing criteria, which enables a property to be treated as a business even if it has not been let for more than nine months of the year, is much more generous than the common sense definition of a "business". Any movement towards loosening the rule any further would undo the improvements undertaken to the system in response to pressure from Gwynedd Council and others over a number of years. **The proposed options would be unfair for other taxpayers who have to pay council tax in full, *in addition to the "actual" tourism businesses that make a significant contribution to the local economy and therefore merit a more favourable tax treatment.***

In fact, should the requirements be loosened, it is likely that there would be another property category that would then fail to comply with the criteria by a small margin, leading to pressure to loosen the requirements even further to include those also, and consequently there is a danger of losing control of the situation in its entirety.

Rather than going down this irresponsible route, at the very least, we believe **that the criteria of 70 days of actual letting should be increased to 105 days.** This would coincide with business requirements in relation to the HMRC taxes; the Valuation Office Agency is a branch of that Government Department and the opportunity to collaborate and synchronize information between both units is relatively obvious and should be utilised.

Furthermore, as in the past, we once again press for the amending of planning regulation to that permission is required to change the use of a property to a second home or self-serviced holiday property, and to create a link between the tax system and the uses permitted under the planning system in order to have better control of the field in general.

Yours sincerely,



**PEREDUR JENKINS  
CABINET MEMBER FOR RESOURCES**



**APPENDIX 3**  
**UPDATED INFORMATION AND DATA**

Number of properties designated as second homes for Council Tax purposes, per Community:

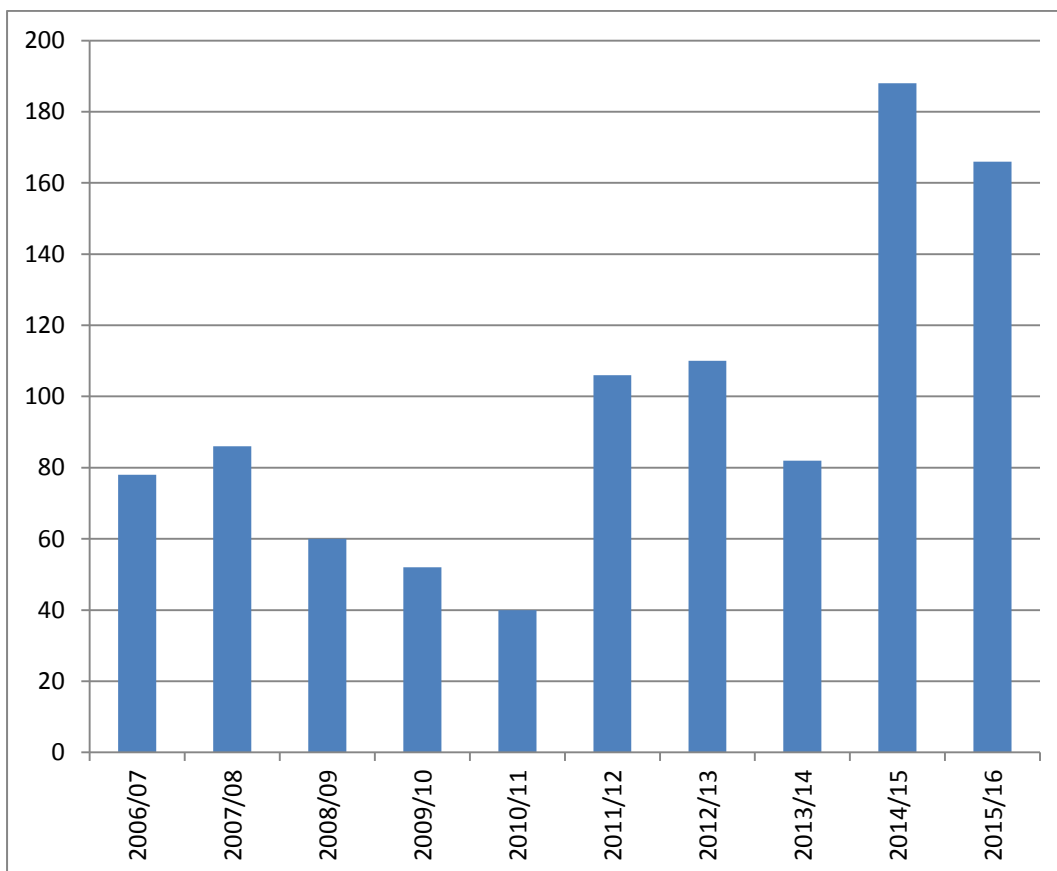
Community	Council Tax – Second Homes			Non-domestic Rates
	Class. A	Class. B	Total	Self-serviced units
ABERDARON	0	137	137	34
BEDDGELERT	0	80	80	40
BOTWNNOG	0	45	45	9
BUAN	0	33	33	4
CLYNNOG	1	59	60	13
CRICCIETH	0	90	90	43
DOLBENMAEN	0	68	68	26
LLANAELHAEARN	0	41	41	3
LLANBEDROG	25	159	184	11
LLANENGAN	2	687	689	47
LLANNOR	0	37	37	20
LLANYSTUMDWY	12	52	64	35
NEFYN	13	284	297	29
PISTYLL	0	50	50	15
PORTHMADOG	18	311	329	65
PWLLHELI	0	79	79	11
TUDWEILIOG	0	68	68	12
BANGOR	0	47	47	3
CAERNARFON	0	30	30	9
BETHESDA	0	22	22	3
BETWS GARMON	0	31	31	6
LLANBERIS	2	41	43	4
LLANDDEINIOLEN	0	50	50	12
LLANDWROG	0	49	49	11
BONTNEWYDD	1	5	6	8
Y FELINHELI	0	85	85	4
LLANLLYFNI	0	57	57	4
LLANRUG	157	25	182	20
LLANWDA	12	21	33	2
WAUNFAWR	25	19	44	3
ABER	0	5	5	0
LLANDYGAI	0	24	24	3
LLANLLECHID	0	8	8	2
PENTIR	0	21	21	19

BALA	0	21	21		7
LLANDDERFEL	0	34	34		17
LLANGYWAIR	0	16	16		3
LLANUWCHLYN	0	21	21		7
LLANYCIL	0	13	13		10
TYWYN	18	203	221		16
BRYNCRUG	42	23	65		7
ABERDYFI	57	322	379		48
ABERMAW	1	150	151		24
DOLGELLAU	0	81	81		27
BRITHDIR & LLANFACHRETH	0	60	60		21
Y GANLLWYD	0	10	10		7
LLANEGRYN	0	16	16		4
LLANELLYD	0	37	37		12
DYFFRYN ARDUDWY	37	87	124		22
LLANFIHANGEL Y PENNANT	1	57	58		6
ARTHOG	4	144	148		17
LLANGELYNIN	0	50	50		16
MAWDDWY	5	43	48		15
PENNAL	18	43	61		7
CORRIS	12	46	58		0
FFESTINIOG	0	152	152		26
LLANBEDR	2	41	43		22
HARLECH	0	137	137		15
LLANFAIR	0	68	68		10
LLANFROTHEN	0	16	16		6
MAENTWROG	0	44	44		7
PENRHYNDEUDRAETH	0	35	35		10
TALSARNAU	0	51	51		10
TRAWSFYNYDD	292	33	325		14
<b>TOTAL</b>	<b>757</b>	<b>4874</b>	<b>5631</b>		<b>943</b>

**Number of domestic units lost from the Council Tax system to the Non-domestic Rates system since April 2006.**

<b>Financial Year</b>	<b>Annual Total</b>
2006/07	78
2007/08	86
2008/09	60
2009/10	52
2010/11	40
2011/12	106
2012/13	110
2013/14	82
2014/15	188
2015/16	166
<b>Total over the period</b>	<b>968</b>

**ANNUAL TOTALS**



## MEETING WITH THE CHIEF VALUER WALES, VALUATION AGENCY

**Holiday Homes and Taxes Scrutiny Investigation****Notes of meeting held on 13 October, 2015**

Present: Councillors:- Trevor Edwards, Aled Evans, Jason Humphreys, Eirwyn Williams (Chairman), John Wyn Williams and R.H.Wyn Williams.

Officers:- Dewi Morgan (Senior Manager – Revenue and Risk), Vera Jones (Democratic Services Manager), Geraint Evans (Senior Manager – Non-domestic Rates) and Eirian Roberts (Members and Scrutiny Support Officer).

Also:- Richie Roberts, Chief Valuer Wales (for item 1 below).

Apology: Councillor Dyfrig Jones.

	Item
1.	<b>Discussion with the Chief Valuer Wales</b>
	<p>Richie Roberts, Chief Valuer Wales, was welcomed to the meeting.</p> <p>The context was set and the Chief Valuer Wales was invited to respond to a series of questions by members, as follows:-</p> <p><u>1. What strength of evidence is acceptable to the Valuation Office Agency to allow a transfer from being a domestic property to being a self-catering letting?</u></p> <p>Any transfer has to meet criteria set down to statute. We expect to see intent of letting for 140 days in the forthcoming year, but we have to take that at face value, as it is virtually impossible to obtain definitive evidence of 'intent'. However, we do check whether the property is on a bona fide property letting website and whether they have bookings. We do check that the property has been commercially let for 70 days in the 12 calendar months prior to the assessment. We also send out a statutory form of return and there are penalties if it's filled in incorrectly. The property owners must declare income from the property and costs and we then analyse and check to see that we're satisfied. We would not move a property over without having to go through these tests. If we get a request, and it meets the criteria, we ask Gwynedd Council to carry out a few background checks to make sure that this is a bona fide business. It is the owners' responsibility to sign this legal document as a correct declaration of their situation (as with benefit claimants, etc).</p> <p><u>2. The guidelines state that ratepayers then have to supply evidence of availability and actual lettings, and income derived from lettings, every year. What evidence is provided by the ratepayer to support these figures? What</u></p>

capacity does the Valuation Office Agency have to verify this evidence?

The have to fill in a statutory form which is substantial and detailed and we don't move any property to NDR without this. In terms of the resources available, they are limited, and we have to work smarter. In practice, we do not require ratepayers to supply evidence of compliance annually, but there is a clear legal requirement for owners to report any changes. This is made clear to all owners, when applying for a transfer. I refer back to the owner's responsibility with the legal declaration.

3. There's a statutory requirement for 5-yearly revaluation, which means that details are sought for this general revaluation, but are you committed to regular (ideally annual) review of these cases?

We don't have the resource to check annually, but once again the onus is on the owner of the property to declare any changes in circumstances which would mean that they would not qualify for NDR.

4. Does the Council have any right of appeal when a property is transferred?

This question was addressed under question 1 where reference was made to the joint working that occurs when checks are carried out on dwellings transferring from one system to the other, as there is movement back and forth.

5. The Non-Domestic Rating (Definition of Domestic Property) (Wales) Order 2010 changed the definition of property that is not domestic property for taxation purposes. What effect did these changes have on the speed of the transfer?

The main difference that occurred in 2010 is that in Wales now, letting must have actually taken place before a property is transferred whereas previously (as remains the case in England), the intention of letting during the next year was sufficient.

When asked if other local authorities had raised these issues with the VAO, the Valuer replied that Gwynedd Council is the only local authority in Wales that has reported that this transfer of self-catering property is seen as an issue.

6. If the Council finds that a property listed as self-catering that it suspects that is not complying with the legal definition, would the Valuation Office Agency be prepared to act to transfer it back into a domestic dwelling?

We do not have adequate provisions to go out looking for these changes ourselves, but if informed by any party, be it the Council or any other, we will investigate to find the truth and then act accordingly, working with Gwynedd Council at all times.

7. The Council has figures to show how many properties the Valuation Office Agency has allowed to transfer in each year. Are there figures available for

the number of properties that the Valuation Office Agency has rejected in each year? These figures would help to show whether more property owners are now asking for a transfer, or if the Valuation Office Agency is more willing to allow transfers (e.g. because cuts in resources mean that they cannot investigate as thoroughly).

No, not with any measure of accuracy. There is a net gain of properties going the wrong way from your point of view. I believe that there are currently approximately 850 self-catering properties in Gwynedd that have transferred to NDR. I will verify the exact figures and get back to you.

8. The vast majority of properties that have transferred to business rates have a relatively small rateable value and as such become entitled to 100% small business rate relief. We have seen that some of the peak period lets can realise weekly income of £1,000 and yet the rateable value appears to members to fall well short of a level that is commensurate with the income for that period. Broadly what factors are taken into consideration when calculating a rateable value?

The rateable value is calculated on the estimated income at the time of transfer, and is then set until the next general revaluation. The next revaluation will occur in 2017.

The regulations mean that small businesses must be given rate relief and we cannot refuse or differentiate between one dwelling and another.

9. Does the Council have any "policing" powers? How would the Valuation Office Agency view an exercise by the Council reminding all properties that have transferred to provide the necessary information to the VOA?

We rely on the good working relationship we have with billing authorities. We would have no objection to you carrying out a reminding exercise, but the Council has no policing powers. It would only be able to remand owners to report any changes in circumstances.

10. Much of the success of maintaining an accurate basis for local taxation depends upon good sharing of information. This question is twofold:

i. It's been suggested that the promoting of close relationship with the HMRC by the VOA would encourage the submission of quality data to ensure accurate rateable value. Does the Valuation Agency (being a wing of the HMRC) actively share and compare information submitted with HMRC colleagues.

We could do with better communication because part of the problem is why we've gathered information in the first place.

ii. Both the Valuation Agency and the Council's share a common goal of achieving accurate Valuation Lists and subsequent bills. However, it has been suggested to the Working Group that data sharing mostly involves Councils sending data to the VOA (e.g.

complete information about a property that is about to transfer), and that the VOA does not tend to reciprocate. There will no doubt be good reason as to why the Valuation Agency is not in a position to share information with Councils and I'd be obliged of your observations?

The joint working between the Valuation Agency and Gwynedd Council is especially good and this relationship has developed further than with other councils.

The Chief Valuer was thanked for answering members' questions.

**Scrutiny Investigation - Holiday Homes and Taxes**  
**Notes of Meeting held on 9 December, 2015**

Present: Councillors:- Trevor Edwards, Aled Evans, John Wyn Williams and R.H.Wyn Williams (who was selected to chair in the Chairman's absence).

Officers:- Dafydd Edwards (Head of Finance Department), Emyr Edwards (Strategic Policy Manager - Resources), Euryl Lloyd Jones (Taxation Manager), Nia Davies (Planning Manager - Policy), Vera Jones (Democratic Services Manager) and Eirian Roberts (Member Support and Scrutiny Officer).

Also present:- Councillor Peredur Jenkins (Cabinet Member for Resources).

Apologies: Councillors Jason Humphreys, Dyfrig Jones and Eirwyn Williams.

Items 4 and 5 on the agenda were discussed first in order to release some officers.

	Item
3.	<p><b>The results of research work into the situation in other councils</b></p> <p>A brief presentation was given by the Strategic Policy Manager - Resources on the results of research work into the situation in other councils, including England, to see whether or not the same problems existed and to see whether or not they had learned any lessons.</p> <p>A table was distributed which listed the 20 councils throughout England and Wales that had the highest number of second homes as a percentage of taxable properties and therefore, were likely to be similar to Gwynedd in terms of a second home profile.</p> <p>The Strategic Policy Manager - Resources noted:-</p> <ul style="list-style-type: none"> <li>• Except for the "City of London" (namely, a specific part of Central London) and the Isles of Scilly, Gwynedd was the highest throughout England and Wales in terms of the proportion of second homes.</li> <li>• The situation had been concentrated in specific areas of Gwynedd, with a much higher number of second homes in some parts of the county.</li> <li>• Cumbria had formulated a report on the holiday home situation in general, which referred to the fact that it was too easy to transfer from the council tax system to the business rates system, but that it was anecdotal evidence and that nothing quantitative was available to confirm the exact situation in England.</li> <li>• The "Taylor Review" for the previous Labour government had examined the problems of rural areas, and although they mentioned that transfers from one system to the other were occurring, this was based on the experience of one area (Cornwall) rather than wider evidence. However, they had suggested that a solution would be available through planning procedures, rather than the taxation</li> </ul>



	<p>system.</p> <p>During the ensuing discussion, it was noted:-</p> <ul style="list-style-type: none"> <li>• They had raised this matter with other councils in the past, and although they did not receive any support from them, that it could be beneficial to re-open that discussion.</li> <li>• Allowing some council tax discount on second homes would make it easier to keep an eye on the number of dwellings that transferred to the business rates system.</li> <li>• It was likely that it would be possible to charge more than 100% tax on second homes in future, but 'there was a danger' that this could encourage more people to transfer to the business rates system.</li> <li>• This Council had pressed that owners should have to submit evidence on an annual basis to show that a property had been commercially let as self-serviced accommodation for 70 days during the previous 12 calendar months, but the government had also been put under pressures by organisations that wished to loosen the regulations, and that would make it too easy for people to transfer to the business rates system.</li> </ul> <p><u>Actions</u></p> <ul style="list-style-type: none"> <li>• Contact 3-4 other authorities in Wales that have a similar second home profile to Gwynedd, e.g. Anglesey, Ceredigion and Pembrokeshire to raise their awareness of the problem and to try to re-open the discussion (<i>this action to be coupled with the second action under item 4 below</i>).</li> <li>• Ask the Valuer to provide information regarding the number of transfers in those counties so that evidence of the financial loss for the councils in question can be submitted.</li> </ul>
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	Item
4.	<p><b>The planning side</b></p> <p>A question and answer session was held with the Planning Manager - Policy in order to consider whether or not there were options in terms of the planning procedure to influence the situation.</p> <p>The Planning Manager responded to the following questions, namely:-</p> <ul style="list-style-type: none"> <li>• <u>Is it possible to confirm what is the current situation (in terms of Planning) when a use of a holiday home (second home for owner's use) changes to be a self-serviced unit?</u></li> </ul> <p>According to the planning act, anything that requires planning permission must be a 'development' and if it does not fall within the definition of a development, it does not come under the act. A 'development' includes a material change of use. Also, under the act, the Use Classes Order places different uses in brief classes and a house comes under category</p>

C3. The planning system views a house as a household where people live together. It does not have to be used all year round to be considered as a house, and if it is rented to other people for short periods, it is still classed as a 'household' according to the act and the use classes order, as there is no change in use. There have been rare cases in Court where a judge had concluded in those specific cases that a material change of use has occurred as the property was not used in a way that was similar to an use by a 'household' and that the amenities of nearby properties were also affected. Therefore, no planning permission is usually required to let a house as a self-serviced unit.

- Planning permission is required to change the use of a building, e.g. from a shop to a café. How is that different to changing use as a self-serviced unit?

Planning permission is required to change the use of a shop to a café as a shop comes under category A1 and a café comes under category A3 in the Use Classes Order. The Planning Manager further noted that she could share a paper with members that listed the different use classes and what had been included in each one.

- What would prevent the Council from insisting that planning permission is required prior to being granted the right to let a house as a self-serviced house when it used to be a home?

Development plans must set policies that relate to a development that requires a planning permission. As there is no change of use according to the act, no policy covers the matter in the Unitary Development Plan and no policy about it can be included in the Joint Local Development Plan which is currently being prepared.

- Would it be practical for the Welsh Government to establish regulations for local authorities to control permission to change the use of a property from a holiday home to a self-serviced unit through the planning procedure?

It is possible to change legislation, e.g. it was managed to introduce use category C4 in England in relation to multiple occupation housing due to the high number of students as a result of research work on the matter. The Welsh Government intends to change the Use Classes Order in Wales to address the same matter. The act / by-law would need to be changed in Wales to address the 'change' to holiday units.

During the discussion, it was noted:-

- The Council had no powers to act under current arrangements and that the only way to solve the problem was by ensuring a change in legislation.

#### Actions

- Ask Welsh Government what are the possibilities regarding changing

the regulations / by-law that are involved with the Use Classes Order in order to insist that planning permission is required to change use to a 'self-serviced unit', requesting that the Planning Manager - Policy assists with the wording.

- Ask authorities (that are intended to be contacted under item 1 above) for their support in this matter as well, requesting that the Planning Manager - Policy assists with the wording.

It was further noted that the Chairman of the Investigation had submitted a question referring to matters beyond the scope of the investigation as he enquired about planning permission to build / develop new self-serviced holiday accommodation, and the Planning Manager responded to the question, namely:-

*Can the Planning Department please explain Policy D15 of the Unitary Development Plan and any implications of the policy?*

The policy permits the development of new permanent self-serviced holiday accommodation on a suitable previously developed site outside the development boundary or to adapt existing buildings outside the boundary into such accommodation, provided that the building is structurally sound and suitable to be adapted. A condition is included that only holiday use is permitted, but a concern has been expressed that some use such accommodation as a residential property, which is tantamount to a new house in the countryside. For some, it appears that it is easier to obtain holiday use rather than residential use in the countryside, but, according to national policies and guidance, economic use should be sought first, which includes holiday homes, before a proposal for a house can be considered. If members know about examples of misusing holiday accommodation in this manner, they are requested to inform the Planning Service.

**Gwynedd Council response to the Welsh Government Technical consultation on the draft Non Domestic Ratings (Definition of a Domestic Property) (Wales) Order 2015 (“the draft 2015 Order”) and the accompanying guidance for ratepayers.**

**Aelod Cabinet Adnoddau**  
**Cabinet Member Resources**  
Y Cyngorydd / Councillor Peredur Jenkins



Gofynnwch am/Ask for: Dafydd L Edwards  
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Ein Cyf / Our Ref: PJ/DLE/AJ  
Eich Cyf / Your Ref: WG26148

8 September 2015

Local Government Finance Policy Division  
Welsh Government  
Cathays Park  
Cardiff  
CF10 3NQ

Dear Sir / Madam,

**Technical consultation on the draft The Non-Domestic Rating (Definition of a Domestic Property) (Wales) Order 2015 (“the draft 2015 Order”) and the accompanying guidance for ratepayers**

Gwynedd Council’s response to the technical consultation is as follows:

**Response to the Questions on the Draft Order**

Question	Response
1. Do you agree that provisions should be made to average the 70 day criteria for properties at the same location or within very close proximity of each other owned by the same business?	<b>Where properties are at the same location or within very close proximity of each other owned by the same business, we have no objection to averaging the letting criteria for those. However, this should be considered in the context of our comments on question 3 below.</b>
2. Are there any issues regarding the administration and enforcement of such a provision?	<b>No</b>

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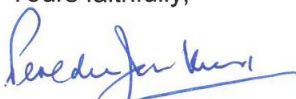
Swyddfeydd y Cyngor  
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Gwynedd LL55 1SH  
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<p>3. Are there any issues regarding the administration and enforcement of such a provision?</p>	<p><b>Gwynedd Council has corresponded several times with the Welsh Government in recent years expressing our opinion on the 2010 Order and the existing arrangements. Our position can be summarised as follows:</b></p> <ul style="list-style-type: none"> <li>○ <b>Gwynedd Council welcomed the tightening of the law which was introduced by the 2010 Order, and we therefore welcome the intention in the draft Order to continue with this.</b></li> <li>○ <b>However, the Council also believes that 70 days should be increased to 105 days in order to be consistent with HMRC guidelines.</b></li> <li>○ <b>The opinion and long-term aspiration of Gwynedd Council is that the basic procedure should be changed so that planning permission needs to be obtained from the Local Authority before changing the use of a property from being a domestic property to being a business property.</b></li> <li>○ <b>Further, where this is allowed, the permission should be renewed annually.</b></li> </ul>
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**Response to the Questions on the Guidance for Ratepayers**

Question	Response
<p>4. Does the guidance provide sufficient advice to self-catering property owners in relation to the draft Order?</p>	<p><b>Yes. However, we would like to see steps being taken to implement what is outlined on page 6 of the guidelines, namely that property will revert annually to the default position of being domestic property unless ratepayers can show differently. The Guidance to Ratepayers should include (possibly as a 4th “checkpoint” within Annex 1) a requirement that ratepayers for self-catering properties should submit evidence of letting annually to the VOA.</b></p>
<p>5. Should the guidance cover any other areas?</p>	<p><b>We do not believe it is necessary, but there is one matter that we believe should be removed. On page 11 of the Guidance, hardship relief under section 13a is mentioned. In the current financial climate, inclusion of this is unnecessary and unhelpful.</b></p>

Yours faithfully,



**PEREDUR JENKINS**  
**CABINET MEMBER RESOURCES**  
 Enc.

**MEETING WITH JOANNA VALENTINE, HEAD OF LOCAL TAXES, WELSH GOVERNMENT****Holiday Homes and Taxes Scrutiny Investigation****Notes of meeting held on 6 January, 2016**

**Present:** Councillors:- Aled Evans, Jason Humphreys, Eirwyn Williams (Chairman), John Wyn Williams and R.H.Wyn Williams.

**Also Present:-** Councillor Peredur Jenkins (Cabinet Member for Resources).

**Officers:-** Dafydd Edwards (Head of Finance), Dewi Morgan (Senior Manager – Revenue and Risk), Euryl Lloyd Jones (Taxation Manager), Nia Davies (Planning Manager – Policy), Vera Jones (Democratic Services Manager) and Eirian Roberts (Members Support and Scrutiny Officer).

**Also:-** Jo Valentine (Welsh Government) (for item 1 below).

**Apologies:** Councillors Trevor Edwards and Dyfrig Jones.

	Item
1.	<b>Discussion with Jo Valentine (Welsh Government)</b>
	<p>Jo Valentine of Wales Government was welcomed to the meeting.</p> <p>The context was explained, and Jo Valentine was invited to respond to a series of questions by members, i.e.:-</p> <ul style="list-style-type: none"> <li>• <b><u>Can you explain your role within Government of Wales?</u></b></li> </ul> <p>I'm Head of Local Taxation within the Local Government Department so I look after the Council Tax system, its policy and legislation and the council tax reduction scheme. I've got policy responsibility for non-domestic rates in so far as it relates to the local government finance system and maintenance of the pool. It's a split responsibility with my colleagues in the Economy Department who have responsibility for the relief schemes we operate.</p> <ul style="list-style-type: none"> <li>• <b><u>Before discussing the current regulations with regards to Council Tax or NDR, can you explain if it is possible to legislate so that the 70 day rule is no longer valid, and, as a result, every dwelling would therefore be subject to Council Tax?</u></b></li> </ul> <p>The 70 day rule was introduced by the 2010 order which amended the Local Government Finance Act 1988 to insert additional criteria so that self catering properties must also meet the 70 day evidence of being let in addition to the 140 day availability for let. So if the 2010 order was</p>

removed then in effect what would happen was that it would revert back to the original criteria as set out in the primary legislation which was only the requirement of being available to let for 140 days. So, whilst it could be amended, in order to amend it, it would require primary legislation, which is much more difficult and it takes much longer time to implement than subordinate legislation.

- **We are aware that current regulations state that owners of self-catering holiday units must provide evidence that the units are available for letting for a period of 140 days in a rolling year, and that the unit has been let for 70 days in a rolling year..**
  - (i) **Is it possible to make these requirements more stringent, raising the required number of days available / days let? How could it be made possible?**
  - (ii) **Currently, owners must provide a self-declaration that the unit meets the requirements (140 days availability / 70 days let), though they do not have to do this on an annual basis. What is the possibility of changing the requirements to make it a legal obligation to provide evidence more frequently?**
  - (iii) **What would have to happen legally / legislative to allow any changes to happen?**

That would be a possibility, but obviously, that's a political decision that will be for Welsh ministers and that will be the next administration following the elections in May. Obviously, they'd have to take a view from all stakeholders in relation to that. At the minute they get quite a lot, as well as the views from local government as to their tax base being eroded. There are also a lot of opposing views around the fact that some businesses are struggling to meet the criteria for reasons such as flooding and other aspects such as that. So there is evidence at the minute that, perhaps, not everyone can meet the 70 days and some of those suggest that they are genuine businesses. But that said, we are also aware that the HMRC rules for furnished holiday lets which are a requirement in relation to other aspects of the border taxation system require evidence of 105 days letting and availability for let for 210 days. So, obviously, there is some sort of precedent there in respect of other forms of taxation but it's slightly different in that they are allowed to off set that against other tax purposes. So it's more of a tax relief – that's why it's more stringent. It may be a possibility, but perhaps in the longer term.

- **In general, it appears that the rateable value and the business rate is less than the Council tax bill, and that the rateable value is low in comparison with the income generated from letting. Whatever the reasons for the above, is it possible for the Government of Wales to influence the procedures used to assess?**



I'm not a valuation expert but I do know that at least part of the evaluation basis is the profits from the business and I know that they're in the middle of drawing up a valuation scheme for the 2017 re-valuation and they've been working with representative organisations in the industry to try and pre-agree that before April 2017, looking at the different components that will make up the valuation in terms of how much is attributable to the profits and the square footage and how many bedrooms and so on. So there is a general system in place, but that obviously then allows for special characteristics of the property as well which might increase its value and lead to its rateable value and I know that certainly they are expecting certain increases in the valuations of the property. Certainly, that is what initial indications from the Chief Valuer for Wales have suggested, that probably they have increased over that period of time, and obviously it's quite a long time now since the last evaluation when properties were based on their rental values as at 2008, and for the 2017 re-valuation they will be based on their rental values as at April 2015. So you'd expect to see quite a shift in that period of time but in terms of the question here about whether it's possible for the Government of Wales to influence procedures used to assess we wouldn't seek to encroach on the VOA's role in that because they're the independent organisation that's responsible for the valuation of properties and they have that valuation expertise and we need to make sure that they are able to retain that integrity because that's actually what allows the taxation system to bring in more than £2bn of revenue in Wales. That said, I do recognise that part of the reason why some of these properties pay so little tax is the result of the Small Businesses Rates Relief which, because their rateable value is so low, often means that these properties in effect, if their rateable value is under £6000, they end up paying no rates and we actually looked at the number and there were very few self catering properties in Wales that pay full business rates at all.

*[The Head of Finance suggested lobbying the Valuation Office once again, through the Cabinet Member or this Investigation, in respect of the fact that the rateable value of these self-catering holiday units is so low.]*

- **We have seen that the majority of self-catering units that transfer to NDR qualify for small business rates relief. We also understand that some types of property are exempt of this relief. If the small business rates relief is to continue in 2016/17, what procedures would need to be followed to review the situation?**

In relation to small business rates relief for 2016/17, ministers have taken the decision that it will be extended for the current year in its current terms, partly to give businesses that early certainty about what's happening for next year but partly, obviously, because with the re-

evaluation coming up, it's the logical point in time in which to review a scheme and the policy and what happens and how it's applied for and its eligibility criteria. It does create a very good point in time in which to review effectiveness, and so on, and it's certainly a recommendation that we will be putting to ministers. It's about looking at whether it's achieved what we wanted to achieve. Actually, prior to October 2010, everybody contributed an amount and only received 50% small business rates relief. As a response to the recession that was doubled to 100% which it seems at that point in time was regarded as being a very helpful kind of stop gap, but that's been in place now for nearly 5-6 years, and is it right to have a system where so many people don't contribute anything at all and there are certainly questions around that. It's a very costly scheme in terms of the funding that the Welsh Government has to find to put into the total NDR yield to replace that lost income so these are all certainly questions that need to be considered in the run-up to the re-evaluation. Certainly, what we'll be putting to ministers is about what do they want to see going forward as their response to the re-valuation.

- **We understand that there is currently no formal procedure for the Valuation Office to share information with Local Authorities. Can you explain any changes which may be developed which would provide legal requirement to share?**

Currently, one of the reasons that there aren't any formal information sharing arrangements in place is because the VOA is prevented from sharing identifiable tax payer information as an agency of HMRC. So along with England, we're taking provisions in the Enterprise Bill which is going through Parliament at the minute which will basically create a legal gateway to allow the sharing of more information with local authorities in respect of the local taxation list. So what we envisage that being is information around the name and the occupier of the property, and so on. At the minute all the VOA provide is what the rateable value is and where the property is, and so on. That creates a number of different problems in that there's duplication of work between the VOA and local authorities. It's maybe a little bit too easy for ratepayers to seek to defraud the system because there's no triangulation of that, no verification of that information. So we're taking that through Parliament now and I think the intention is to try to get those regulations in place prior to April 2017 to coincide with the re-valuation. Alongside that, the Welsh Government is also exploring the possibility of whether more can be done in relation to non-domestic rates, and particularly the forward element and the requiring of ratepayers to provide information. So in the Local Government Bill they're currently consulting on, there's an element that talks about the possibility of making some legislation that imposes a duty on ratepayers to notify changes in circumstances, and certain things like that, which there are already elements of within the council tax system. So those proposals are at quite an early stage yet and actually

were conceived prior to the UK government announcement. In the end we have to work out how it all fits together, but certainly there is an appetite there to look at it and to take the work forward.

- **For a member of the public, it appears that there is a 'change of use' from a house / holiday home to a self-catering holiday unit. We understand that the 'use classes order' places a dwelling in Category C3. We also understand from our Planning Officers that planning permission is not required if a holiday home is to change to a self-catering holiday unit as it is not considered a 'change of use'. We understand that no 'relevant change of use' takes place in the majority of cases as there is no change in the character, the use of the house or the effect of that use on the character of the area.**

[As she did not specialise in planning matters, Jo Valentine agreed to pass on this question and also the following question to her colleagues in the planning field and to report back to the investigation through the Taxation Manager.]

- **We understand that the Government of Wales are currently reviewing the Use Classes Order and the Common Development Rights Order. What are the possibilities that this review might include the effects of research into:-**
  - (i) **Looking at and quantifying the nature of the problems associated with the proliferation of self-catering units due to property being used on a commercial basis rather than being used by the owner or relatives, and**
  - (ii) **Offering possible answers? For example, recent research work undertaken for the Government of Wales has recommended changes to the Use Classes Order in order to enable local planning authorities to control the location of Houses in Multiple Occupation.**

11 March 2016

Mr Carl Sargeant AM,  
Minister for Natural Resources  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF199 1NA

Dear Minister

**PLANNING REGULATIONS – SECOND HOMES / HOLIDAY HOMES**

At a recent County Council Cabinet meeting a Notice of Motion relating to Planning Regulations in respect of second/holiday homes was debated. It was agreed that as Cabinet Member for Planning and Sustainability, I would write to you to outline Pembrokeshire County Council's concerns about the adverse social and economic impacts arising from the considerable number of holiday homes within the County. The main effects include a disproportionate increase in house prices which threatens the ability of local people to comfortably afford to rent or buy a place to live, the loss of community cohesion on the out of season 'deadening' effect on areas where holiday home ownership is most popular. Whilst it is recognised that the occupiers of holiday homes can make significant contributions to the local economy when visiting Pembrokeshire, a reasonable balance should be struck.

I appreciate that measures have recently been put in place which enable Councils to double the Council Tax liability for holiday homes and to this end at our Full Council meeting 10 March we determined to add 50% to the same. Additional measures, such as greater planning controls, could assist further. As you will be aware, dwellings currently fall within Class C3 of the Town and Country Planning (Use Classes) Order 1987 (as amended). The Order currently makes no distinction between dwellings used as main residences and dwellings used as holiday homes. On this basis, no planning restrictions currently exist which prevent the use of a dwelling as a holiday home, except in instances where a planning condition has been imposed on the original planning permission relating to the subject dwelling.

In light of the current situation, a change to the Order would be required in order to enable Local Planning Authorities to control holiday homes beyond imposing restrictive planning conditions on new residential developments (provided such conditions meet the tests of Welsh Government Circular 016/2014:*The Use of Conditions for Development Management*). Such a change in the legislation could be supported by supplementary planning guidance and eventually, development plan policies, outlining how such changes of use would be controlled and monitored within individual administrative boundaries.

I understand that Welsh Government will be reviewing the Use Classes Order in the summer of this year. May I respectfully request that you use the opportunity to carefully consider the possibility that tighter planning controls could assist in controlling the number of dwellings being used as holiday homes rather than 'family' homes within Wales.

Yours sincerely

Councillor Myles Pepper  
Cabinet Member for Planning and Sustainability

# Agenda Item 9

<b>MEETING</b>	<b>Corporate Scrutiny Committee</b>
<b>DATE</b>	<b>16/06/2016</b>
<b>SUBJECT</b>	<b>Gwynedd Challenge Engagement</b>
<b>RECOMMENDATIONS</b>	<b>Identify good practice and areas for improvement for any future engagement exercise</b>
<b>AUTHORS</b>	<b>Councillor John Wyn Williams Councillor R H Wyn Williams (the representatives of the Corporate Scrutiny Committee who undertook the work)</b>
<b>RELEVANT OFFICER</b>	<b>Vera Jones Democratic Services Manager</b>

## **1. Background**

- 1.1. The Corporate Scrutiny Committee has identified the importance of engagement at its annual meeting, and is very eager to scrutinise the work. Over the past months and years the Engagement Strategy has been scrutinised many times, and the Scrutinisers felt that they were not adding value by re-visiting the strategy.
- 1.2 It was decided that the best way of examining such an enormous, complex and important matter was by identifying a specific piece of engagement work, and scrutinising that to see if there were lessons to be learned to enable the Council to do better next time, or share lessons of good practice across the Council as a whole. Several different sensitive matters were considered, e.g. libraries, car parks, etc. but in the end it was concluded that a full scrutiny investigation was not going to be of most benefit to the Council.
- 1.3 Following discussions at the preparatory meetings, and with Council officers, it was decided to contact the Gwynedd Engagement Group in order to see if it was possible to scrutinise the large amount of recent engagement work undertaken for the Gwynedd Challenge, but by doing so in a different way.

## **2. Challenging the Gwynedd Challenge Exercise to learn lessons**

- 2.1 The meeting of the Engagement Group was held on 5 April and, at that meeting, the Group was taking stock of the Gwynedd Challenge exercise to see what lessons could be learned regarding the Council's engagement arrangements more generally. Councillors John Wyn Williams and R H Wyn Williams were present at the meeting and there was a very open and honest discussion about the Gwynedd Challenge Exercise. The main conclusions were:-
  - I. On the whole, the exercise was very successful. It was a unique and ambitious venture and the Council should be applauded for venturing to seek the opinion of residents on matters that were both important and complex. Although some had expressed their disappointment at the number who had responded, the number was excellent considering the complexity of the subject and also the investment of time involved in taking part, and compared favourably with the response to comparable exercises conducted by other councils.
  - II. It is unlikely that the Council will undertake such a thorough exercise again for some years, but there are lessons to be learned that would be useful when planning an engagement exercise in the next few years.

- III. a) It is important to be clear what the purpose of the engagement is and to be open and honest with the public about that.  
b) There is room to re-examine the Engagement Handbook to ensure that it asks the question "Why are you thinking about engagement?" in order to avoid a situation where the Council engages on a matter on which it does not have a completely open mind.  
c) It is necessary to be clear as to which options, if at all, are on the table and that question should be asked before beginning any engagement activity.

The work of updating the handbook is already in progress, and the intention is to update it by the end of Quarter 1 2016/17

- IV. Good work has been undertaken to get internal feedback from staff in order to learn lessons from the process. However, it is believed that the opportunity should also be taken to ask residents if they took part in the Gwynedd Challenge, and asking - "If not, why not?", and if yes, "How was the experience?"
- V. It appears that the development of the on-line tool has enabled the Council to reach a broader range of the population than traditional methods. Therefore, that is something to build upon.
- VI. One of the possible weaknesses was that some of the content provided by the services were difficult for the public to understand and used complex language and too many "Council terms" that the public could not understand (in Welsh and in English). The inability to communicate clear and simple messages is a weakness that needs to be examined. Perhaps there is room here for work by a Scrutiny Investigation or Task Group to look at how this could be improved.
- VII. A number of changes were made to the direction of the work as it progressed. This was a little troublesome, but it was also a positive thing, as it showed a willingness to change and adapt as the work progressed. It is obvious that there are lessons to be learned in terms of trying to plan the work in advance to the best of our ability, but, as a Council, as officers and members, we have to be willing and flexible in terms of implementation and be willing to change direction along the way.
- VIII. The challenge of engaging effectively is a continuous one and one that the Public Services Board will have to address in terms of carrying out a dialogue with Gwynedd and Anglesey residents. The development of those arrangements needs to be followed very closely in order to avoid duplication and try to identify ways of utilising existing groups to hear the voices that usually don't speak up in public consultations.

Therefore, the main conclusion in terms of Scrutiny is that the exercise was a great success. In addition to that, the willingness of the Engagement Group to look openly and critically at the work and learn lessons from it shows a clear commitment to continually looking to improve our engagement arrangements.

### **3. Lessons to be learned in terms of Scrutiny**

The above exercise was a new and different exercise in terms of scrutiny, and therefore there is a need to try to assess whether there were strengths and/or weaknesses to these arrangements in order to be able to come to a conclusion on whether this kind of scrutiny exercise could be used in the future, and in different fields.

#### STRENGTHS

- Utilising an existing 'forum' to avoid duplication
- The group was open to a constructive challenge from the scrutinisers and willing to discuss openly and honestly with everyone
- The attitude of the scrutinisers was to try to improve the engagement service for the future (attending to complain and assign blame would not have worked as well)
- A timely, quick exercise with findings submitted in a short timescale
- A small team of scrutinisers - easier to get everyone together

#### WEAKNESSES

- It would need to be ensured that both sides were open and honest, with any observations focussing on improving service
- It would be essential to ensure that the matter is suitable for this kind of scrutiny, as members would not be expected to understand complex, technical matters in such a brief meeting.

The conclusion, therefore, is that the exercise in terms of scrutiny has been a successful one, where similar work in other areas could be attempted in future.



## **Further Scrutiny work – clear language (in engagement work)**

### **Version 1.00 of the Scope**

#### **Background**

Recently, members of the Corporate Scrutiny Committee have scrutinised how the Council undertook the engagement exercise as part of the Gwynedd Challenge. The aim was to help the engagement team to learn lessons for any future engagement exercise.

A number of good lessons derived from the work, and these have been included in a report presented to the Corporate Scrutiny Committee on 16/06/2016. However, one of the recommendations made by scrutiny, as noted below, requires further work:

*“One of the possible weaknesses was that some of the content prepared by the services was hard for the public to understand as it used complex language and too much “council speak” that the public does not understand (in Welsh and English). The inability to communicate clear and simple messages is a weakness that needs to be addressed. It is possible that a Scrutiny Investigation or Working Group would be able to look at improvements in this field.”*

#### **Purpose of the work**

The purpose of further scrutiny work would be to look independently at previous written engagement work (in Welsh and English) to see how easy it is for the public to understand. Recommendations would be presented as a result of the work.

In order to undertake the work, we will need to:

- Understand engagement principles (especially from a language perspective)
- Consult with specialists to understand how information should be presented to the majority of the population
- Compare 3 or 4 recent engagement exercises with the above. We would also ask members of the public and officers (the authors) for their views on the suitability of the language used and how easy it is to understand.
- Assess and learn lessons from the above.

## Timeframe of the work

Work begins	Straight away
Work ends	
Report presented to Corporate Scrutiny Committee	20 October 2016 or 6th December 2016
Report form scrutiny to Cabinet	Following the committee

## Programme

Outline of the main steps and meetings.

**Members will be required to undertake further work between meetings.**

1.	Consult with Participation Cymru to understand the principles of engagement, in particular in context of the language to be used. (See appendix A for information).	
2.	Consult with specialists to receive guidance on <ul style="list-style-type: none"> <li>• Average reading level (or reading age) for the majority of the population</li> <li>• How to present written information for the average reading level</li> <li>• Are there guidelines for writing materials of the sort?</li> <li>• Any further relevant information available</li> </ul>	
3.	Select 3 or 4 recent engagement exercises, and compare what was presented with the guidelines available.	
4.	Ask for comments from a representation group of the public on the items noted in 3.	
5.	Discuss with a few officers/ authors to understand how things can be improved from their perspective (and what support they need)	
6.	Compile recommendations	
7.	Present to Corporate Scrutiny Committee	

# NATIONAL PRINCIPLES FOR PUBLIC ENGAGEMENT IN WALES



## 1 Engagement is effectively designed to make a difference

Engagement gives a real chance to influence policy, service design and delivery from an early stage.

## 2 Encourage and enable everyone affected to be involved, if they so choose

The people affected by an issue or change are included in opportunities to engage as an individual or as part of a group or community, with their views both respected and valued.

## 3 Engagement is planned and delivered in a timely and appropriate way

The engagement process is clear, communicated to everyone in a way that's easy to understand within a reasonable timescale, and the most suitable method/s for those involved is used.

## 4 Work with relevant partner organisations

Organisations should communicate with each other and work together wherever possible to ensure that people's time is used effectively and efficiently.

## 5 The information provided will be jargon free, appropriate and understandable

People are well placed to take part in the engagement process because they have easy access to relevant information that is tailored to meet their needs.

## 6 Make it easier for people to take part

People can engage easily because any barriers for different groups of people are identified and addressed.

## 7 Enable people to take part effectively

Engagement processes should try to develop the skills, knowledge and confidence of all participants.

## 8 Engagement is given the right resources and support to be effective

Appropriate training, guidance and support are provided to enable all participants to effectively engage, including both community participants and staff.

## 9 People are told the impact of their contribution

Timely feedback is given to all participants about the views they expressed and the decisions or actions taken as a result; methods and form of feedback should take account of participants' preferences.

## 10 Learn and share lessons to improve the process of engagement

People's experience of the process of engagement should be monitored and evaluated to measure its success in engaging people and the effectiveness of their participation; lessons should be shared and applied in future engagements.

These Principles were developed by Participation Cymru working with TPAS Cymru, under the guidance of the Participation Cymru partnership. Endorsed by The First Minister of Wales, The Right Hon. Carwyn Jones AM on behalf of the Welsh Government.

Further guidance on the National Principles can be found at

[www.participationcymru.org.uk](http://www.participationcymru.org.uk)

March 2011

# Agenda Item 11

<b>NAME OF SCRUTINY COMMITTEE</b>	CORPORATE SCRUTINY COMMITTEE
<b>DATE OF MEETING</b>	16 <sup>TH</sup> JUNE, 2016
<b>TITLE</b>	SAVINGS WITHIN THE REGULATORY DEPARTMENT PART 1 – Further Savings PART 2 – Further Savings – Pest Control
<b>AUTHOR</b>	Dafydd Wyn Williams, (Acting) Head of Regulatory Department
<b>CABINET MEMBER</b>	Councillor Dafydd Meurig
<b>PURPOSE</b>	Further savings referred for further work by the scrutiny committees before reaching a conclusion

## 1. INTRODUCTION

1.1 Two reports, under the heading “Regulatory Savings, are presented for your consideration:

- Further Savings
- Further Savings – Pest Control

<b>NAME OF SCRUTINY COMMITTEE</b>	CORPORATE SCRUTINY COMMITTEE
<b>DATE OF MEETING</b>	16 <sup>TH</sup> JUNE, 2016
<b>TITLE</b>	Further Efficiency Savings
<b>AUTHOR</b>	Dafydd Wyn Williams, (Acting) Head of Regulatory Department
<b>CABINET MEMBER</b>	Councillor Dafydd Meurig
<b>PURPOSE</b>	Further savings referred for further work by the scrutiny committees before reaching a conclusion

## 1. BACKGROUND

- 1.1 As part of the exercise to find financial Savings schemes between 2015 and 2018 the Regulatory Department has submitted schemes worth £1,242,883 to the Council Cabinet and these have been approved. In addition to this, cuts of £523,000 were approved by the Council on 3<sup>rd</sup> March 2016. Details of the schemes approved by the Cabinet together with an implementation profile are included as Appendix 1 for information.
- 1.2 The Department also has four schemes which have been referred by the Cabinet for further work by the relevant scrutiny committees before reaching a conclusion, namely:
1. **Cessation of non-statutory functions – Pest Control Services** - £67,000 [this matter dealt with in a separate report to the Scrutiny Committee]
  2. **Step 2:** A further 10% cut in the Public Protection Service budget - £69,000
  3. **Step 3:** A yet further 10% cut in the Public Protection Service budget - £69,000
  4. **Advertising Planning Applications** - £15,000
- 1.3 The report submitted to the Communities Scrutiny Committee on 12 January 2016 deals with the first scheme [Pest Control Service] and it was agreed that the Department would return to the committee with a fees structure and other measures to make the Pest Control Unit self-sufficient. This report will therefore consider the three other schemes, namely two schemes involving reducing the Public Protection Service budgets and a scheme involving reducing the budget for advertising planning applications.

## 2. SAVINGS

### SAVINGS THAT HAVE BEEN APPROVED

- 2.1 The Department has succeeded to reach the savings target for 2015-16 and savings of £530,390 have been found, and it is expected that we will meet the target of £349,810 in 2016-17 and £362,683 in 2017-18.

- 2.2 More details about every individual savings scheme can be found in Appendix 1. You will notice in this appendix that the financial sums against each scheme have been coloured to denote how confident the Department is of reaching the saving sum. Table 1 provides an outline of what the different colours denote.

**Table 1: Explanation of risk colour designation on the savings list**

COLOUR	RISK DESIGNATION
White	Scheme realised
Green	No problems anticipated
Yellow	There may be a problem in reaching the expected saving
Amber	Likely there will be a problem in reaching the expected saving
Red	Unlikely to be able to find the saving

- 2.3 Currently [16 May 2016 update in appendix 1], the risk profile to deliver the savings approved is shown below in Table 2. Table 2 shows that £35,000 in savings is at high risk of not being found whilst £85,290 worth of approved savings are likely to have a problem in reaching the expected saving [amber]. The Department is endeavouring to reduce the risk level on these schemes and is also trying to increase the savings under other headings which have been approved to manage the risk of **not delivering** [red].

**Table 2 Risk profile of being able to deliver the approved savings**

RISK LEVEL	2015-16	2016-17	2017-18	TOTAL
Realised	£470,390	£241,910	£ 4,300	£716,600
Green	£0	£151,900	£174,713	£326,613
Yellow	0	£ 10,000	£ 69,380	£ 79,380
Amber	0	£ 6,000	£ 79,290	£ 85,290
Red	0	0	£ 35,000	£35,000.00
<b>Total</b>	<b>£470,390.00</b>	<b>£409,810</b>	<b>£362,683.00</b>	<b>£1,242,883.00</b>

- 2.4 An additional sum of £90,000 has been found in the 2015-16 financial year to bring the total to £560,390, which also increases the Department's total savings [2015-18] to £1,332,883. This additional saving has been found through better management of Council offices which has enabled the leasing of office space to a private company at Penrallt offices, Caernarfon.

#### **PROCUREMENT SAVINGS**

- 2.5 The Department is also asked to make savings of £78,000 between 2015-18 by attempting to reduce the price we pay for external services by procuring them in different ways. £40,000 has already been found by tendering public transport services with alternative requirements in terms of criteria. Approximately £38,000 remains to be found under this heading.

### OTHER ADDITIONAL SAVINGS

2.6 As part of the list of schemes which have been referred for further work by the scrutiny committees, two other schemes had been included originally, namely:

- Planning Collaboration [Gwynedd and Anglesey] £50,000
- Planning Collaboration [Gwynedd and SNPA] £50,000

2.7 It is no longer possible to deliver these savings through collaboration with others, and consequently these two schemes have been omitted from the list. Despite this, the Head of Department has agreed that every effort will be made to seek to deliver these savings in alternative ways, but, it has not been possible to give a guarantee of this to date.

### **3. CUTS WHICH HAVE BEEN DETERMINED**

3.1 At the Full Council meeting on 3<sup>rd</sup> March 2016 a decision was made on the cuts to Council Services.

3.2 The total cuts which directly affect the Regulatory Department is £523,400, and the exact headings, the sum and timing for each cut together with the timescale have been outlined in Table 3.

**Table 3:** Cuts which have been determined and timescale for the Regulatory Department

<b>CUT</b>	<b>SUM</b>	<b>WHEN</b>
Two posts in the Joint Planning Policy Unit	£30,000 [50% for Anglesey]	April 2018
One post in the Biodiversity Unit	£30,000	April 2017
Half the Budget of the Traffic and Projects Unit	£65,000	April 2016
20% of the footpath maintenance budget (including one post)	£110,000	£20,000 April 2016 £90,000 April 2017
One post from the Pollution Control Unit	£35,000	April 2017
One post from the Food Hygiene Unit	£36,000	April 2017
Nature Reserves Budget	£59,400	£15,000 April 2016 £44,400 April 2017
One post in the Roadworks Management Unit	£30,000	October 2016
Closure of Frondeg, Pwllheli and Beach Road, Felinheli	£60,000	Frondeg will go back to the Cabinet
One post from the Buildings Maintenance Unit	£28,000	April 2016
One and a half post from the Estates Unit	£40,000	November 2016
<b>TOTAL</b>	<b>£523,400.00</b>	

3.3 The cuts highlighted in blue (total of £339,000) are jobs cuts which mean that there is a need for some change in structure and responsibilities to try to reduce the impact of the cut on the Department's services.

**4. HOW CAN WE DELIVER THE SAVINGS FROM THE SCHEMES THAT HAVE BEEN REFERRED FOR FURTHER WORK BY THE SCRUTINY COMMITTEES?**

4.1 It is hoped that the explanation of the financial issues in terms of savings and cuts facing the Department will be useful for the committee to appreciate the overview. Though all savings and cuts are packaged as separate matters, it is very difficult to manage the challenge of reaching the sums which have been outlined without considering the whole picture. Therefore, it is reasonable to consider all the savings and cuts when thinking about how to deal with the savings schemes which have been referred for further work by the scrutiny committees.

4.2 Three schemes are considered in this report, and this part of the report will refer to how we can deliver the savings against them, namely:

1. **Step 2:** A further 10% cut in the Public Protection Service budget - £69,000
2. **Step 3:** A yet further 10% cut in the Public Protection Service budget - £69,000
3. **Advertising Planning Applications** - £15,000

**STEP 2: A FURTHER 10% CUT IN THE PUBLIC PROTECTION SERVICE BUDGET - £69,000**

4.3 Committee members may remember that the Senior Manager with responsibilities for the Public Protection Service retired in August 2015. At the time, the responsibility for this Service was added to the responsibilities of the Senior Planning and Environment Service Manager on a temporary basis. It was very difficult to predict whether or not this arrangement would be successful, as the field of work is a specialist one, that there were four additional Units to manage and that not much time had been given to transfer the responsibilities.

4.4 Despite this, the Senior Planning and Environment Service manager has coped very well with the additional duties, with staff and managers in agreement that the arrangement worked well. In light of this, arrangements have been made to make this arrangement a permanent one, and therefore the Planning and Environment Service and the Public Protection Service were merged at the beginning of February 2016. This arrangement will give a saving of the cost of employing a Senior Manager - Public Protection, and having considered the acknowledgement for undertaking additional duties, the saving of doing this is approximately £70,000. It is therefore intended to place this saving against Step 2, namely a further 10% reduction in the Public Protection Service budget - £69,000.

**STEP 3: A FURTHER 10% CUT IN THE PUBLIC PROTECTION SERVICE BUDGET - £69,000**

4.5 It can be seen from Rh8 & Rh11 [Appendix 1] that efficiency savings of £194,850 have been achieved by reducing the number of staff in the Public Protection Service. This is against a target of £169,000 and therefore in excess of the target by £25,850.

4.6 The Department's opinion is that the figure achieved in excess of the target should go part of the way to deliver the saving in Step 3: a yet further 10% reduction in the Public Protection Service budget of £69,000. This then leaves a deficit of £43,150.



4.7 Whilst it is possible to consider reducing the Public Protection budget further, it is likely to be very difficult to realise this without affecting the Service's ability to maintain its statutory duty. We must also consider the cuts facing the unit, namely one food hygiene post (£36,000) and one pollution control post (£35,000).

**ADVERTISING PLANNING APPLICATIONS - £15,000**

4.8 Further to the new Planning Act introduced in 2015 which does not refer to changing the statutory requirements to advertise some types of applications in the press, it will not be possible to reduce the cost for advertising planning applications. Therefore, the Department's opinion is that we should try to deliver the saving through an alternative scheme.

**5. CONCLUSION**

5.1 This situation is not easy, but it is felt that it is possible to deliver the savings in question by being flexible and considering the challenge in its entirety as a Department when creating alternative schemes.

5.2 From what has been submitted, you will see that we need to consider not only the schemes which have been referred for further work by the scrutiny committees, but also the savings which have been approved which are at risk of not delivering. These schemes are shown in Table 4. This table shows that an alternative scheme is needed to address the minimum of £178,440 and ideally £278,440.

**Table 4:** Savings which need to be considered in alternative schemes;

SCHEME	SUM
Step 3: A further 10% cut in the Public Protection Service budget	£ 43,150
Advertising Planning Applications	£ 15,000
Savings that have been approved - amber risk level	£ 85,290
Savings that have been approved - red risk level	£ 35,000
Desire to find savings to address the deficit from two collaboration schemes disregarded	£100,000
	<b>T £278,440.00</b>
<b>Total not including the desired saving</b>	<b>£178,440.00</b>

**6. ALTERNATIVE SCHEME**

6.1 Section 3 of the report mentions, when discussing the cuts faced by the Department, the intention to look at minor adaptations to the structure of the Department's services to reduce the effect of cuts on services. The Department is of the opinion that it is possible to look at minor adaptations to the structure of the Department's services across all Units, including the Units which are affected by cuts as well as those which are not. It is believed that it is possible realise some of the required sum by making minor adaptations to the structure.

- 6.2 It can be seen from the information about savings that have been approved (Appendix 1) that there are several schemes in which savings are found by increasing income. It is felt that there is scope to increase income by focusing more efforts on some aspects. Some more work needs to be done before committing to a figure of how much more income can be attracted by increasing efforts.
- 6.3 There is of course also scope to reduce the risks which prevent us from realising the savings which have been approved. By focusing on this over the past months, the Department has succeeded to reduce the risk of realising on several of the schemes.

## **7. RECOMMENDATION**

- 7.1 That the Committee accept the information presented including what has been achieved regarding efficiency savings to date.
- 7.2 That the Department presses on to achieve a minimum of £178,440 [aiming for £278,440] in efficiency savings by way of an alternative scheme. The alternative scheme will look to opportunities to raise income levels, changes in the structure of the department as well as reducing the risks which are preventing efficiency savings already approved from being achieved.
- 7.3 That the Department reports on the progress on all the savings and cuts together with definite figures to be committed in terms of an alternative scheme for the Scrutiny Committee in 9 months' time.

Ref	Plan	Contact Officer	2015/16 £	2016/17 £	2017/18 £	2018/19 £	Total £	Delivery Period	Comments
	<b>Quartum Projects £16m</b>		90,000	0	0	0	935,880		
	<b>Efficiency Plans .5%</b>						162,000		
	<b>Total Plans £16m</b>		90,000	0	0	0	1,097,880		
	<b>Total Efficiency Plans 1%</b>		0	0	0	0	390,930		
	<b>Savings 2015 to 2018</b>								
Rh1	Restructure the Service [All Units]		58,170	71,830			130,000	Ch 1/15-16 Ch 1/16-17	15/16 this has been delivered and no problem is envisaged in achieving the balance
Rh2	Flow Count/Speed [Traffic Unit]		30,000				30,000		Savings delivered
Rh3	Save Money Maintaining Bridges (1) (Refue)				62,000		62,000	Ch 2/17-18	Need to resolve the matter with the Highways Department including agreeing a working programme to enable delivery
Rh4	Save Money Maintaining Bridges (2) (Refue)			37,000			37,000	Ch 1/16-17	Savings delivered
Rh5							0		
Rh6	Increase in Street Works income (Streetwork Unit)		10,000	10,000	17,290		37,290	Ch 1/15-16 Ch 1/16-17 Ch 1/17-18	Even though there is an increase in income, the Trunk Road Agency are working to internalise services which means a loss of income of around £65,000 to the Streetcare Unit. Despite this, a solution is in progress in order to fully deliver the saving.
Rh7							0		
Rh8	Reduction in Management Costs - Public Protection Service		96,100				96,100		Savings delivered
Rh9	Stop non statutory functions – Pest Control Services						0		
Rh10	Increase in Market and Fair feest to recover costs			6,000			6,000	Ch 1/16-17	It may not be possible to deliver the savings as anticipated and will need to submit an alternative plan.
Rh11	Reduction of 10% in the Public Protection Service budget aspects where the Council has discretion on the level of service provision.		87,340	11,410			98,750		Savings delivered
Rh12	Rh11 -Reduction of 10% in the Public Protection Service budget aspects where the Council has discretion on the level of service provision and additional 10% [i.e. 20% in total]						0		
Rh13	Biodiversity Unit Review			30,070			30,070	Ch 1/16-17	No problems anticipated to deliver the saving.
Rh14	Joint Planning Polyc Unit				23,213		23,213	Ch 1/17-18	No problems anticipated to deliver the saving.
Rh15	Charge for Planning Advice		10,000				10,000		Savings delivered
Rh16	Advertise Planning Applications						0		
Rh18	Review of the Coed Cymru Service		8,560				8,560		Savings delivered
Rh19							0		
Rh20							0		
Rh21	Countryside and Access Collaboration [Gwynedd and SNPA]				35,000		35,000	Ch 1/17-18	This has been identified from the outset as a saving that would be difficult to guarantee without reorganisation of local government or changes in the structure of Park authorities and AHNE. The Department will be introducing an alternative plan in due course.
Rh23	Land Charges 2014 Review			12,500			12,500		Savings delivered
Rh24	Review of the use of pool cars and fleet to reduce travelling costs.			18,000			18,000	Ch 1/16-17	No problems anticipated to deliver the saving.
Rh25	Restructure the Development Control, Enforcement and Planning Support Units		36,920		59,380		96,300	Ch 1/15-16 Ch 1/17-18	15/16 has been delivered but some work is necessary to achieve the balance
Rh26	Review the work of the Rights of Way Team		74,300	10,000	10,000		94,300	Ch 1/15-16 Ch 1/16-17 Ch 1/17-18	15/16 has been delivered by cutting 2 posts but there is a need to agree on a work package to achieve the balance.
Rh27	Further reduction of 10% on Rh11 and Rh12s [total of 30%] in the Public Protection budget which addresses the function where the Council has discretion in the level of service it provides.						0		
Rh28	Increase Taxi Licensing fees to recover costs			10,000			10,000	Ch 1/16-17	Savings delivered
Rh29	DEC Certificate		7,000				7,000		Savings delivered
Rh30	Restructuring the Development Unit				39,000		39,000	Ch 1/17-18	This is to be achieved 01/04/17 and no problem is envisaged.
Rh31	Restructuring the Estates Unit			12,000	7,500		19,500	Ch 1/16-17 Ch 1/17-18	No problems anticipated to deliver the saving.
Rh32	Cleaning Services		20,700	15,000	4,300		40,000		Savings delivered early
Rh33	Small holding rent review				20,000		20,000	Ch 1/17-18	No problems anticipated to deliver the saving.
Rh34	Restructure the Planned Works and Safety Unit.			10,000	5,000		15,000	Ch 1/16-17 Ch 1/17-18	No problems anticipated to deliver the saving.
Rh35	Software Licences		5,000				5,000		Savings delivered
Rh36	Reduction in the mechanical and electrical expertise			36,000			36,000		Savings delivered
Rh37	Reduce the number of Vans		7,000				7,000		Savings delivered
Rh38	Reduce the number of Caretakers - Headquarters [Pencadys]		19,300				19,300		Savings delivered
Rh39	Parking Review			120,000	80,000		200,000	Ch 1/16-17 Ch 1/17-18	15/16 and 16/17 have been delivered and no problem is foreseen in achieving the balance [£60k 15/16 not to be taken out – WEJ 8.3.16]
							0		
							0		
							0		
	<b>Total of the Efficiency Savings 2015 i 2018</b>		<b>470,390</b>	<b>409,810</b>	<b>362,683</b>		<b>1,242,883</b>		
	<b>Cuts 2016-17 to 2017-18</b>								
2	Reduce the number of posts by 1 from 10.5 in the Joint Planning Policy Unit.				15,000		15,000	Ch 1/18-19	No problems anticipated to deliver the saving.
17	Reduce a further post in the Joint Planning Policy Unit.				15,000		15,000	Ch 1/18-19	No problems anticipated to deliver the saving.
21	Reduce the number of posts by 1 from 2.45 in the Biodiversity Unit.				30,000		30,000	Ch 1/17-18	No problems anticipated to deliver the saving.
22	Reduce the Traffic Management Unit budget by 50%		65,000				65,000	Ch 1/16-17	
23	Reduce the Public Footpath budget, including 1 post from 7.2		20,000	90,000			110,000	Ch 1/16-17 Ch 1/17-18	16/17 wedi ei wireddu ac ni ragwelir unrhyw broblem gwireddu'r gweddill.
25	Reduce the number of posts by 1 from 8 in the Pollution Control Unit				35,000		35,000	Ch 1/17-18	No problems anticipated to deliver the saving.
27	Reduce the number of posts by 1 from 13.8 in the Food Hygiene Unit				36,000		36,000	Ch 1/17-18	No problems anticipated to deliver the saving.
46	Reduce the budget for maintaining nature reserves by 100%			15,000	44,400		59,400	Ch 1/16-17 Ch 1/17-18	16/17 Has been achieved and negotiations are under way with other agencies in order to generate income to support the service.
63	Reduce the number of posts by 1 from 7 in the Streetcare Unit.			15,000	15,000		30,000	Ch 3/16-17	Savings delivered
C8	Close the Frondeg and Ffordd y Traeth, Feliheli Buildings.			20,000	23,330	16,670	60,000	Ch 1/16-17 Ch 1/17-18 Ch 1/18-19	The service needs to report back to the Cabinet with regards to business plan C8 [Frondeg] before moving forward to realize the saving to ensure that there are acceptable solutions to those there at the moment. It is currently foreseen that there is a possibility that the scheme will slip.
C9	Reduce the number of posts by 1 from 8.5 in the Building Maintenance Unit			28,000			28,000	Ch 1/16-17	Savings delivered
C10	Reduce the number of posts by 1.5 from 7.2 in the Estates Management Unit			16,670	23,330		40,000	Ch 3/16-17	It is anticipated there may be slippage in delivering this saving, and there is a need to change some of the structure and responsibilities to reduce the impact on the Departments services.
							0		
							0		
	<b>Total Cuts 2016-17 i 2017-18</b>			<b>179,670</b>	<b>327,060</b>	<b>16,670</b>	<b>523,400</b>		
	<b>Total Savings Strategy</b>		<b>560,390</b>	<b>589,480</b>	<b>689,743</b>	<b>16,670</b>	<b>3,255,093</b>		

<b>Total Plans £16m</b>	Delivered	90,000			
	Green	0	0		
	Amber	0	0		
	Red	0	0		
		<b>90,000</b>	<b>0</b>	<b>0</b>	<b>1,097,880</b>

<b>Efficiency Plans 1%</b>	Delivered	0	0	0	
	Green	0	0	0	
	Amber	0	0	0	
	Red	0	0	0	
		<b>0</b>	<b>0</b>	<b>0</b>	<b>390,930</b>

<b>Total Efficiency Plans 2015 i 2018</b>	Delivered	470,390	241,910	4,300	
	Green	0	151,900	174,713	
	Yellow	0	10,000	69,380	
	Amber	0	6,000	79,290	
	Red	0	0	35,000	
		<b>470,390</b>	<b>409,810</b>	<b>362,683</b>	<b>1,242,883</b>

<b>Cuts</b>	Delivered	143,000	15,000	0	
	Green	0	265,400	0	
	Yellow	36,670	23,330	0	
	Amber	0	23,330	16,670	
		<b>179,670</b>	<b>327,060</b>	<b>16,670</b>	<b>523,400</b>

<b>NAME OF SCRUTINY COMMITTEE</b>	CORPORATE SCRUTINY COMMITTEE
<b>DATE OF MEETING</b>	16 <sup>th</sup> JUNE 2016
<b>TITLE</b>	The Pest Control Service
<b>AUTHOR</b>	Dafydd Gibbard, Senior Corporate Property Manager
<b>CABINET MEMBER</b>	Councillor Dafydd Meurig
<b>PURPOSE</b>	To provide an update for Members on possible options for the Pest Control and Dog Warden Service provision in future and ask them to scrutinise the options proposed to close the current financial deficit.

## 1. BACKGROUND

1.1 As part of the Regulatory Department's efficiency savings programme for 2015-18, a savings offer to the value of £67,000 was proposed by abolishing the Pest Control Unit, which was part of the Department's Public Protection Service at the time. When the Cabinet considered the Department's efficiency savings schemes it resolved to ask the Communities Scrutiny Committee to obtain clarity on the actual impact of abolishing the Pest Control Unit.

1.2 A report was submitted to the Communities Scrutiny Committee on 12 January 2016. The Committee was of the opinion that this was a very important service for the public and noted the following main conclusions:

- An important and necessary public service - if it would not be available from the Council there would be a risk that private companies would completely control the market and increase their prices, thus leading to a higher cost for the public.
- A reliable and quality service and the public has faith in the Council's ability to deal with such matters, often in situations that cause concern and worry to those who are living with the pests at the time.
- Supported the proposal to market the service and consider the current fees structure.
- The obligations to the health and safety of the public must be considered if the service is abolished - not just the financial considerations.
- A number of the Council's in-house services (e.g. homes for the elderly and schools), depend on the Pest Control Service - if it would be abolished, there would be a substantial increase in costs for those services and in turn would reduce any financial saving for the Council.

1.3 The main scrutiny output was a request to look at the options so as to make the service financially self-sufficient, rather than abolish it.

1.4 It was also acknowledged that abolishing the Pest Control Unit would not lead to a saving of £67,000 anyway. The Unit's financial situation can be summarised as follows:

Costs of service provision	£144,880 (including central recharges)
Income Target	£88,590
<b>Financial deficit</b>	<b>£56,290</b>

1.5 Therefore, it appears that the maximum saving available from abolishing the Pest Control Unit is £56,290. By looking at the above cold facts, it can be assumed that the deficit of £56,290 would need to be closed if the unit is to be made financially self-sufficient and generate the same sum that would derive from abolishing the unit.

1.6 Nevertheless, it must be borne in mind that the service provision costs include a contribution towards the Council's central costs, namely £27,850. Should the service be abolished, the Council would need to re-direct these central costs to other services thus this sum would not be saved in reality. Therefore, the actual saving from abolishing the service after disregarding these costs would be:

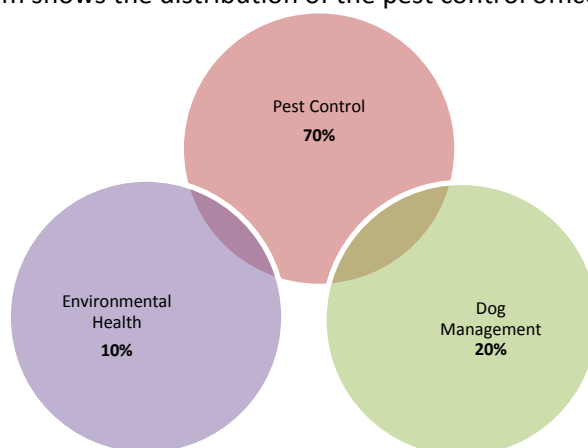
Current financial deficit (costs less income)	£56,290
less	
Central recharges that would need to be re-directed to other services	£27,850
<b>Actual saving from abolishing the Pest Control Unit</b>	<b>£28,440</b>

1.7 In accordance with the Committee's request, this report will therefore consider options to achieve the savings that would derive from abolishing the Unit, but by making it financially self-sufficient rather than abolishing this important public service. The options will focus on seeking to achieve a minimum of £28,440, namely the actual financial saving that would derive from abolishing the Pest Control Unit.

**2. AN EXPLANATION OF THE NATURE OF THE PEST CONTROL SERVICE**

2.1 The Public Protection Service employs 4 full-time officers to act as Pest Control Officers/Animal Wardens. The officers spend 70% of their time providing a Pest Control Service, 20% of their time providing a statutory Dog Control service and 10% of their time on collaborating with Environmental Health Officers on statutory matters of prohibiting noise nuisance and protection of public health. All costs associated with employing the officers have been divided between these work headings and are shown in diagram form in Figure 1.

**Figure 1:** Diagram shows the distribution of the pest control officers' work:



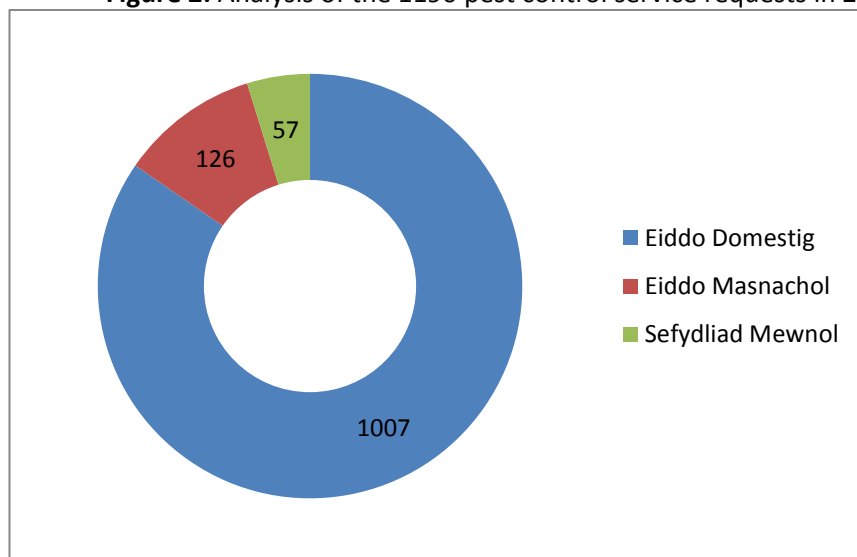
2.2 The Unit provides a pest control service by contract to external and internal clients, as well as a responsive pest control service.

- 2.3 The Unit has a number of pest control contracts with external and internal clients. An income of approximately £26,000 is generated by means of external contracts, and £24,000 by means of internal contracts, which gives a total of £50,000. It should be noted that the unit does not currently advertise or market this service.
- 2.4 The Unit also offers a responsive pest control service to domestic and commercial properties for a wide range of pests. There is high praise for this service from customers.
- 2.6 The service generates income of approximately £34,000 per annum from responsive pest control work; however, there is currently no assurance regarding the exact amount of this income due to the responsive nature of the work. The table and diagram below show further details of the demand for this service.

**Table 2:** Comparison of the demand for pest control services in 2014-2015.

Type of Pest	Request for Advice	Pest Control Request
Rats	240	354
House Mice	62	156
Cockroaches	3	2
Bed Bugs	7	3
Fleas	35	84
Grey Squirrels	4	2
Wasps	173	478
Bees	55	8
Ants	17	53
Other insects	56	46
Seagulls	34	0
Other	45	4
<b>TOTAL</b>	<b>731</b>	<b>1190</b>

**Figure 2:** Analysis of the 1190 pest control service requests in 2014-15



2.7 Until recently, the Pest Control Unit was within the Public Protection Service. Following a review of many work fields within the Regulatory Department, the Unit has now been transferred to the Corporate Property Service. The Property Service has experience in providing commercially based services for external clients and it already manages workforces that provide a repairs service and cleaning service. The Corporate Property Service is also one of the main customers of the Pest Control Unit as it frequently commissions work from it to protect school buildings, leisure centres, residential homes, etc. It is believed that marrying these aspects with the Pest Control Unit will offer better options in terms of ensuring a financially self-sufficient service.

### **3. OPTIONS TO MAKE THE SERVICE FINANCIALLY SELF-SUFFICIENT**

3.1 Following the clear message expressed at the Scrutiny Committee in January, an assessment was made of the realistic possibility of meeting the saving of abolishing the Service [£28,440] as a minimum and seek to reach the figure of £56,290 to be entirely self-sufficient.

3.2 Following detailed work to consider what options are open to the Council, it is recommended that the financial deficit can be closed through a combination of the following:

- Review the fees of internal contracts
- Review the fees of external contracts
- Review the fees of responsive work
- Set a realistic income target for additional work following marketing

#### **Review the fees of internal contracts**

3.3 Except for an increase to meet inflation, the fees for annual pest control contracts with the Council's internal clients have not been reviewed for many years. Consequently, a number of them are substantially lower than what would be offered by the private market. This means that the current income level is low and that a reasonable increase can be realised as a contribution towards the financial deficit.

3.4 It must be borne in mind that internal clients would have to use private companies should the Pest Control Unit be abolished. When reviewing the current fees we have sought to strike a balance between increasing to a level that is a fair reflection of the service received, but without pushing the cost to a level that would be unsustainable to internal clients or higher than the private sector.

3.5 The second assessment of these fees concludes that an annual increase of £16,500 can be realised as a contribution towards making the unit financially self-sufficient, thus protecting its existence as a service.

3.6 In order to reach this conclusion, a corresponding price was obtained from a private company that serves the area, based on the exact buildings being served by the Pest Control Service at present.

- 3.7 The "customer" in the case of the majority of internal clients is the Buildings Maintenance Unit, which is now of course in the same Service as the Pest Control Unit. This means that we have been able to reach agreement on the new fees before submitting them as part of the solution to make the unit financially self-sufficient. In addition to this assurance, we have also been able to agree on some matters that will ensure a better level of service for the users of our buildings, e.g. ensure an urgent response to requests for a responsive service to the Council's key buildings, e.g. schools and care homes. The primary Schools will also receive one additional visit per year to what is currently offered and it will be available for work of a responsive nature.

#### **Review the fees of external contracts**

- 3.8 As in the case of internal contracts, the fees for annual pest control contracts with external clients have not been reviewed since 2011/12.
- 3.9 Once again, we have sought to strike a balance between increasing to a level that is a fair reflection of the service received, but there is a need to be aware of the risk that increasing the fees to high can lead to customers looking for a service from others.
- 3.10 The conclusion of the second assessment of these fees is that an annual increase of £6,500 can be realised as a contribution towards making the Unit financially self-sufficient and thus protect its existence as a service.

#### **Review the fees of the responsive service**

- 3.11 These fees have not been reviewed either and as in the case of the external contracts, there is a need to be careful that we do not increase the fees to a level that is too competitive or that does not offer value for money.
- 3.12 The conclusion of the second assessment of these fees is that an annual increase of £7,500 can be realised as a contribution towards making the Unit financially self-sufficient and thus protect its existence as a service.

### **4. ATTRACT NEW WORK THROUGH MARKETING**

- 4.1 From looking at the Unit's current capacity, we are confident that more work can be achieved with the current staff Resources. Over the past months, we have reviewed our administration arrangements and have introduced a software solution that will release staff's time to focus on the day-to-day work rather than on the administration and invoicing element.
- 4.2 It is difficult to anticipate the demand in the market for this work; however we do know that the demand will increase from September onwards as legislation introduces new rules that will restrict the ability of individuals and commercial companies from using some pest control chemicals.
- 4.3 We also know that we have not marketed the Pest Control service at all and despite this the public contact us daily to make requests for a service. We know that our customers have faith in the service provided by the unit and it is fair to assume that we would be able to attract new customers should we market what we can offer.



4.4 We need to be cautious that we are not conscripting to this end. Currently, our pest control contracts are divided as follows:

Dwyfor	52
Meirionnydd	29
Arfon	13

4.5 By looking at Arfon specifically, it appears that the number of current contracts is very low, bearing in mind that this is the most populated area of the county and that there are many more businesses there than in the other two areas. It is possible that there is more competition in Arfon of course, having said that, the national companies that offer this service operate throughout Gwynedd as a whole. In order to be conservative, we have projected that the number of contracts in Arfon can be increased to the same level as Meirionnydd.

4.6 The projection exercise below seeks to consider the possibilities in terms of attracting new work within the staff resource available, should we market the service:

<b>Number of current contracts (after increasing Arfon's number to the same level as Meirionnydd)</b>	<b>Increase in fees from increasing the number of Arfon's contracts to the same as Meirionnydd</b>	<b>An increase of 10% from marketing the service</b>	<b>An increase of 20% from marketing the service</b>	<b>An increase of 30% from marketing the service</b>
110	£3,840	£2,640	£5,280	£7,920

4.7 From adopting the medium option, namely an increase of 20% in the external contracts, along with the number of Arfon contracts to the same level as Meirionnydd, new income of £9,120 could be created. The increase would need to be profiled over a period of two years in order to give an opportunity for the marketing to bear fruit.

## 5. CONCLUSIONS

5.1 To summarise what had been noted in part 3 and 4 of this report, introducing the new fees and attracting new work through marketing would lead to the following increase in income:

Internal contracts	£16,500
External contracts	£6,500
Responsive Service	£7,500
Attracting New Work	£9,120
<b>Total</b>	<b>£309,620</b>

- 5.2 The above elements would therefore result in an increase in income of approximately £40,000 compared with the actual saving of around £28,000 that would result from the abolition of the service
- 5.3 Inevitably, an element of risk exists when undertaking any future income projection exercise. However, as agreed in 3.7 above, the majority of the internal contract elements have already been agreed. In regard to the remainder, we have sought to be reasonable in all cases, and based on the usual demand for service, the above shows that it is possible to achieve more than the £28,000 that would be saved from abolishing the service in its entirety. If the predicted increase would not be realized there would be a need to reassess current staffing levels in an attempt to meet any shortfall.
- 5.4 It is acknowledged that an element of risk is associated with any exercise that projects an increase in income. Should the projected increase not be realised, there would be a need to re-assess the current staffing levels in order to meet any deficit.

## **6. RECOMMENDATIONS**

- 6.1 To realise the steps recommended in parts 3 and 4 of this report with the aim of realising an increase in income of approximately £40,000 per annum, rather than abolishing the Pest Control service in its entirety.