

Committee: **Corporate Overview Scrutiny Committee**

Date of meeting: **19th November 2019**

Report Subject: **Council Tax – Removal of Empty Property Discount allowance for Prescribed Class C dwellings**

Portfolio Holder: **Cllr N Daniels – Leader / Executive Member Corporate Services**

Report Submitted by: **Rhian Hayden, Chief Officer - Resources**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
		06.11.19			19/11/19		12/12/19	

1. Purpose of the Report

1.1 This report provides details of the current policy with regard to Council Tax discounts and sets out a proposal to use the Authority's discretionary powers to remove the level of discount in respect of dwellings that are classified as long term empty properties (class C dwellings).

2. Scope and Background

2.1 With effect from the 1st April 2004, the Local Government Act 2003 gave councils discretionary powers to reduce or remove the 50% Council Tax discount awarded in respect of long-term empty properties.

2.2 Under the Council Tax (Prescribed Classes of Dwellings) (Wales) Amendment) Regulations 2004, the Council has previously determined that a discount of 0% be granted to Class A & B dwellings and that a discount of 50% be granted in respect of Class C dwellings.

2.3 Class A & B dwellings are properties which can be identified as holiday homes/second home respectively. Class C dwellings can be identified as long term empty properties.

2.4 Empty properties, i.e. properties that are unoccupied and are substantially unfurnished, are initially exempt from Council Tax for up to 6 months. A property is considered to be "long term empty" if it has been unoccupied and unfurnished for more than six months and does not qualify for another class of exemption from Council Tax.

2.5 As at the 30th September 2019, 1037 dwellings in Blaenau Gwent were receiving an empty property discount.

- 2.6 The Council Tax Base calculation currently takes into account properties that receive a discount as a prescribed class C dwelling, and therefore the base is a reflection of the number of chargeable dwellings included in the funding formula, for distribution of the Local Government Annual Settlement across all 22 Local Authorities in Wales. It is expected that the Welsh Government will amend the funding calculation for 2020/21 onwards so that the Council Tax Base calculation will no longer take into account the discounts for this property class.
- 2.7 Should this amendment be made, the Council could see a reduction in funding of approximately £480,000.
- 2.8 Over the last few years, the majority of councils in Wales have used their discretionary powers under the Council Tax(Prescribed Classes of Dwellings)(Wales)(Amendment) Regulations 2004, to remove the discount on Class C properties. For the financial year 2019/20 there are only 4 local authorities still awarding the discount. It is expected that all Councils will review their policies to provide discounts under these classes from 1st April 2020.

3. **Options for Recommendation**

3.1 **Option 1**

That Scrutiny Committee consider and recommend that Council approve to set the current discount for Class A, B & C dwellings at 0% with effect from the 1st April 2020

3.2 **Option 2**

That Scrutiny Committee recommend that Council approve to maintain the existing discount levels for Class A, B & C dwellings with effect from the 1st April 2020.

4. **Evidence of how this topic supports the achievement of the**

Council Priorities

- 4.1 If Welsh Government implement the proposed changes to the revenue support grant funding formula, the proposal is required to support the Medium Term Financial Strategy of the Council and would additionally support the Council's, '*Economic Development and Regeneration*', priority by supplementing the proposed 'Growth Strategy' by encouraging owners of vacant properties to bring them back into use and generating additional income through Council Tax.

4.2 **Statutory Responsibilities**

The Council must resolve to use its discretion in relation to discounts for Class A, B & C dwellings.

5. Implications Against Each Option

5.1 Financial

Option 1

The change in policy will allow the Council to levy circa £650,000 council tax against Class C dwellings. However, using the current formula used for distribution of unhypothecated funding, this will be offset by the loss of revenue support grant circa £480,000. Subsequently, the net effect of the policy change is an additional £170,000 income for the council based on a 100% collection rate.

Option 2

If the Welsh Government continues with their proposal to amend the Financial Settlement to Local Government the grant due to this Council would reduce circa £480,000, the Council would continue to award discount to long term empty properties and therefore the reduced funding would result in a significant cost pressure to the Council.

5.2 Risk

Option 1

There is potential having to collect the additional Council Tax, may have an adverse effect on collection rate if taxpayers do not pay the additional increase in Council Tax due. Additionally, the Council may experience increased applications for assistance by way of Council Tax Reductions or discounts. The Revenues team will be monitoring these risks.

Option 2

If Welsh Government continues with their proposal the Council will have a funding shortfall of circa £480,000 in 2020/21 that has the potential to increase in subsequent years.

5.3 Legal

The Council are required to make a resolution for the award of discounts for class A, B & C dwellings as prescribed by the Council Tax (Prescribed Classes of Dwellings) (Wales) (Amendment) Regulations 2004.

5.4 Human Resources

There will be additional work to collect the additional Council Tax charged.

6. Supporting Evidence

6.1 Performance Information and Data

From analysis of existing data, at the 30th September 2019, it is anticipated that 80% of the empty properties will make the required council tax

payment in 2020/21, without further recovery action being required. For the remainder formal recovery action may be required.

6.2 **Involvement**

All current empty property discount recipients will need to be informed of any change in policy as early as possible in order for them to make the necessary budgetary arrangements for 2020/21. Approximately 20% of the current empty housing stocks are owned by social landlords.

6.3 **Thinking for the Long term**

Empty properties can be detrimental to other properties in the vicinity in terms of both market value and quality of life, and can encourage anti-social behaviour such as vandalism, squatting, littering and crime.

There are many positive results in encouraging empty homes back into use:

For the owner:

- If the property is sold, the owner can release equity within the property.
- If the property is rented, the owner receives an income from the property.
- Leaving a property empty could increase insurance premiums.
- Council Tax is paid for by the occupier and not the owner.

For the community:

- The opportunity for fly tipping and anti-social behaviour is reduced
- An empty property can have a negative impact on the neighbourhood, reducing house prices and lowering community pride in an area.
- Provide much needed housing in the borough.

For the local economy:

- Bringing an empty property back into use can contribute to the regeneration of an area, increase spending in the local economy and help to protect the value of surrounding properties.
- Unsightly properties can often deter investment in an area, which can lead to decline.

6.4 **Collaboration / partnership working**

Whilst there is currently no direct collaboration between local authorities in respect of empty properties it is anticipated that all local authorities in Wales

will by April 2020 have used their discretionary powers to reduce the discount allowed in respect of Class C dwellings (empty properties).

7. **Monitoring Arrangements**

- 7.1 The Revenue section will continue monitoring the effects of collection of council tax from empty properties to ensure income maximisation.