



## ***FULL COUNCIL REPORT***

Date Written	15 <sup>th</sup> February 2016
Report Author	Mike Parry
Service Area	Revenues
Exempt/Non Exempt	Non Exempt
Committee Date	23 <sup>rd</sup> March 2016

*To: Mayor, Ladies and Gentlemen*

# **COUNCIL TAX DISCOUNTS FOR LONG TERM UNOCCUPIED PROPERTIES**

## **1.0 SUMMARY OF THE REPORT**

- 1.1 The Council is required to make an annual determination as to the level of discounts applicable to both Long Term Unoccupied Properties and Unoccupied Furnished Properties within its area.
- 1.2 In respect of Long Term Unoccupied Properties, the Council has consistently resolved to apply a discount of 50%.
- 1.3 In respect of Unoccupied and Furnished Properties, the Council has consistently resolved that no discount be applied.
- 1.4 The Housing Wales Act gives Local Authorities the discretionary powers to charge up to an additional 100% council tax premium on Long Term Unoccupied Properties and Unoccupied Furnished Properties.

## **2.0 RECOMMENDATION(S) that**

- 2.1 The retention of the current 50% discount in the 2016/17 financial year in respect of Long Term Unoccupied Properties as defined in class C of Section 12 of the Local Government Finance Act 1992 as amended be approved. (See Appendix B).
- 2.2 The determination to apply no discount in the 2016/17 financial year in respect of Long Term Unoccupied Properties as defined by classes A & B of Section 12 of the Local Government Finance Act 1992 as amended be approved. (See Appendix B).

- 2.3 The determination to apply no premium in the 2017/18 financial year in respect of Long Term Unoccupied Properties, and; Unoccupied and Furnished Dwellings be approved. (This position to be reviewed in 2016 in relation to financial year 2018/19).

## **3.0 INTRODUCTION AND BACKGROUND**

### **DISCOUNTS ON LONG TERM UNOCCUPIED PROPERTIES**

- 3.1 Historically, Local Authorities have had no choice other than to apply a 50% discount in respect of long-term unoccupied properties. A long-term unoccupied property is defined as an unoccupied, substantially unfurnished dwelling that is not exempt according to the list of exempt classes at Appendix A. Unoccupied properties are generally exempt for the initial six-month period, (or twelve months in respect of those properties that are additionally uninhabitable), regardless of any interim ownership change.
- 3.2 In February 2004, secondary legislation was introduced which permitted Local Authorities to vary the discount anywhere between 50% and 0%. The discount must apply to all such properties during the course of a financial year and cannot be incremented, although it could be varied between electoral divisions. A resolution must be made prior to each new financial year as to the policy in this regard. Since the legislative change in 2004, the Council has consistently resolved to apply a 50% discount in such cases.

### **UNOCCUPIED AND FURNISHED PROPERTIES**

- 3.3 Similarly, in respect of properties that are unoccupied, furnished and not exempt from Council Tax, (Appendix B – classes A & B). Council must make an annual resolution as to what discount from Council Tax (on a sliding scale between 50% and 0%) should apply in these cases. The resolution must apply to all such properties and all areas of the Authority for the given financial year. This Authority and the former Borough Council has consistently resolved since the commencement of Council Tax in 1993 that no discount be applied in these cases.
- 3.4 On April 1<sup>st</sup> 2010, the Welsh Assembly Government also enacted legislation which introduced a statutory 50% discount on those properties owned by Armed Forces personnel, who currently live in accommodation provided by the Ministry of Defence. There are presently three qualifying properties within the Authority.

### **HOUSING (WALES) ACT**

- 3.5 The Housing (Wales) Act 2014 added Sections 12A and 12B to the Local Government Finance Act 1992. This amendment includes a discretionary provision which allows Authorities to charge a premium of no more than 100% on long term unoccupied properties and unoccupied furnished properties. The Council must

provide notice of its intention to raise a premium at least one year before the start of the financial year to which it relates. That is, if the Council were to raise a premium for 2017/18, a determination would be required prior to the 31<sup>st</sup> March 2016.

- 3.6 The implementation of a premium is to incentivise owners to bring empty and periodically occupied properties back into use.
- 3.7 The Council Tax (Exceptions from higher amount) (Wales) Regulations 2015, prescribed the classes of dwellings that are excepted from a premium being charged. (Appendix C).
- 3.8 The Revenue Section is responsible for charging, collecting and undertaking any required enforcement action for non payment of Council Tax. The imposition of a premium could mean that additional resources will be required within the team to mitigate the effect of increased administration, ICT costs, enforcement resources and attendance at Valuation Tribunals to defend the Council at individual case hearings. Additionally, non payment of any premium would have a negative impact on collection rates.
- 3.9 Reducing the current 50% discount for long term unoccupied properties to 0% would be incorporated into the tax base calculations and would result in a corresponding reduction in Revenue Support Grant. Also, any non-payment of Council Tax in these cases would have an adverse financial impact on the Council.
- 3.10 Welsh Government have not ring fenced how Authorities should use any additional funding generated by a premium. However, they have stated that Authorities are encouraged to use any additional revenue generated to help meet local housing needs in line with the policy intentions of the premiums.
- 3.11 At the time of writing our neighbouring Councils are not planning to make any changes. A number of rural Councils are planning to introduce changes due to their circumstances and large numbers of second homes.
- 3.12 It is proposed that no changes are made in this Council and we review the position annually in light of other Council experience of implementing changes.

## **4.0 CONSULTATION**

- 4.1 The consultation process included an online survey designed using the Cwm Taf Community Engagement Hub. The consultation was hosted on the Hub for 4 weeks (13<sup>th</sup> November 2015 – 11<sup>th</sup> December 2015). Additionally, the Authorities Housing Department circulated the consultation document to Housing Associations, Landlords and other interested stakeholders. This gave members of the public and stakeholders an opportunity to have their say.
- 4.2 There were 12 responses to the online survey, (Appendix D). These were analysed using the Cwm Taf Community Software in order to determine citizens' opinions. No other responses were received.

## Key Findings

- 4.3 The small number of responses received suggest that this is not an issue that is of major concern to our customers or stakeholders. The minimal amount of information returned makes it difficult to derive any meaningful or indicative conclusions.

## 5.0 FINANCIAL IMPLICATION(S)

- 5.1 The Council's grant settlement from Welsh Government is based on the continuation of the current policy for financial year 2016/17.
- 5.2 No revenue from a premium has been included within the medium term financial plan.

## 6.0 SINGLE INTEGRATED PLAN AND SUSTAINABILITY IMPACT SUMMARY

- 6.1 The Single Integrated Plan & Sustainability Impact Assessment has been completed and the proposals do not significantly impact on any aspects of the Corporate Plan and Single Integrated Plan.

## 7.0 EQUALITY IMPACT ASSESSMENT

- 7.1 An Equalities Impact Assessment (EqIA) screening form has been prepared for the purpose of this report. It has been found that a full report is not required at this time. The screening form can be accessed on the Council's website/intranet via the Equality Impact Assessment link.

**ELLIS COOPER**  
**CORPORATE DIRECTOR (PLACE &**  
**TRANSFORMATION)**

**CLLR PHIL WILLIAMS**  
**GOVERNANCE & CORPORATE**  
**SERVICES**

<b>BACKGROUND PAPERS</b>		
<b>Title of Document(s)</b>	<b>Document(s) Date</b>	<b>Document Location</b>
Equalities Impact Screening form	15 <sup>th</sup> February 2016	Electronic Library
Single Integrated Plan & Sustainability Impact Assessment	15 <sup>th</sup> February 2016	Electronic Library

***Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.***

## COUNCIL TAX EXEMPT CLASSES

- Class A** A dwelling that is unoccupied, substantially unfurnished, and requires or is undergoing major repair in order to render it habitable and for up to six months following the substantial completion of repairs. Effective from 1<sup>st</sup> April 2000, this form of exemption cannot exceed one year.
- Class B** An unoccupied dwelling owned by a charity; maximum period, six months.
- Class C** A dwelling that is unoccupied and substantially unfurnished; maximum period, six months.
- Class D** An unoccupied dwelling where the liable person and last occupier is detained (prisoner).
- Class E** An unoccupied dwelling where the liable person and last occupier have their main address in a hospital or Residential/Care/Nursing Home.
- Class F** An unoccupied dwelling which falls within the estate of a deceased person for up to six months following the issue of the Grant of Probate or Grant of Letters of Administration.
- Class G** A dwelling that is prohibited from occupation by law.
- Class H** An unoccupied dwelling awaiting occupation by a minister of religion.
- Class I** An unoccupied dwelling where the liable person and last occupier is living at another address in order to receive personal care from the other occupier(s) there.
- Class J** An unoccupied dwelling where the liable person and last occupier is living at another address in order to provide personal care to the other occupier(s) there.
- Class K** An unoccupied dwelling where the liable person and last occupier is a full-time student.
- Class L** An unoccupied dwelling where a mortgagee is in possession.
- Class M** Student halls of residence.
- Class N** A dwelling that is occupied solely by students.
- Class O** A dwelling owned by the Ministry of Defence and held for armed forces.
- Class P** A dwelling where a liable person is a member of a visiting force.
- Class Q** An unoccupied dwelling owned by a bankrupt.

- Class R** An unoccupied caravan pitch or boat mooring.
- Class S** An occupied dwelling where no occupier has attained the age of 18.
- Class T** Unoccupied annexes which may not be let separately from that other dwelling without breaching planning control.
- Class U** A dwelling that is occupied solely by a person or persons who is or are severely mentally impaired.
- Class V** Diplomats.
- Class W** Annexes occupied by a dependant relative of the occupier(s) of the main dwelling.

**Please note:** This list is intended as a guide only and should not be construed as being the legal definition of any class. Any clarification should be made directly with the Council's Council Tax Department.

**PRESCRIBED CLASSES OF UNOCCUPIED DWELLINGS FOR  
SECTION 12 of the LOCAL GOVERNMENT FINANCE ACT 1992**

**CLASS A** – A dwelling in Wales:

which is not the sole or main residence of an individual;

which is furnished; and

the occupation of which is prohibited by law for a continuous period of at least 28 days in the relevant year.

**CLASS B** – A dwelling in Wales:

which is not the sole or main residence of an individual;

which is furnished; and

the occupation of which is not prohibited by law for a continuous period of at least 28 days in the relevant year.

**CLASS C** – a dwelling in Wales:

which is not the sole or main residence of an individual; and

which is substantially unfurnished.

Please note:

None of the above classes can apply in respect of pitches occupied by caravans or moorings occupied by boats, job-related or exempt dwellings.

**COUNCIL TAX PREMIUMS - PRESCRIBED CLASSES OF EXCEPTED DWELLINGS**

**Long-term empty & substantially unfurnished dwellings:**

- Class 1- Properties being marketed for sale (**exception period up to 12 months**).
- Class 2 – Properties being marketed for let (**exception period up to 12 months**).
- Class 3 – Annexes forming part of, or being treated as part of the main dwelling.
- Class 4 – Dwellings which would be someone’s sole or main residence if they were not residing in Armed Forces accommodation or were not in service in the Armed Forces of the Crown.

**Dwellings occupied periodically:**

- Class 1- Properties being marketed for sale (**exception period up to 12 months**).
- Class 2 – Properties being marketed for let (**exception period up to 12 months**).
- Class 3 – Annexes forming part of, or being treated as part of the main dwelling.
- Class 4 – Dwellings which would be someone’s sole or main residence if they were not residing in Armed Forces accommodation or were not in service in the Armed Forces of the Crown.
- Class 5 – Occupied caravan pitches and boat moorings.
- Class 6 – Seasonal homes where year round occupation is prohibited.
- Class 7 – Job related dwellings.



**CONSULTATION****Question 1**

Should MTCBC charge more than the standard full rate of Council Tax in respect of Second Homes? (See explanatory notes).

Response	Number of respondents
Yes	6
No	3
Don't Know	3

**Question 2**

What benefits or disadvantages do you think charging additional council tax on second homes might have for the local community?

- 4 people commented on this section.

Q2 Comments
There will be less likely to be empty dwellings for long periods of time
Raise additional funds
Not sure if you still give 50% discount for property being empty. If so, maybe removing this and charging standard rate will help deter people from leaving houses empty, going into disrepair and becoming an eyesore.
Owners act expediently to bring them into use increasing the supply of accommodation

**Question 3**

At what level do you think the additional council tax on second homes should be?

+25%

+50%

+75%

+100%

Other (Please state; the maximum is 100%).

<b>Response</b>	<b>Number of respondents</b>
25%	4
50%	2
75%	-
100%	2

#### **Question 4**

Do you think the maximum level of council tax should be the same for unoccupied furnished homes and long term vacant dwellings?

<b>Response</b>	<b>Number of respondents</b>
Yes	3
No	4
Don't Know	3

#### **Question 5**

Do you think the additional tax should be set at the same level across the whole of the Local Authority area?

<b>Response</b>	<b>Number of respondents</b>
Yes	5
No	4
Don't Know	1

#### **Question 6**

Should the additional tax apply to particular types of second home only?

<b>Response</b>	<b>Number of respondents</b>
Yes	1
No	2
Don't Know	7

#### **Question 7**

Should certain types of second homes be exempt from the additional charge?

Response	Number of respondents
Yes	1
No	2
Don't Know	5

### Question 8

How might any additional funds raised be used to support local communities which have large numbers of second homes?

- 3 people commented on this section.

Q8 Comments
Support local activities and centres
Reduce budget cuts
Provide a resource to deal with long term empty properties

### Question 9

Any other comments?

Q9 Comments
One person stated that not enough factual information was given. Would have liked examples of specific scenarios.

### Explanatory notes

A long term vacant dwelling is an unoccupied unfurnished dwelling that has been so for at least a year;

The category of unoccupied furnished dwellings, (second homes), includes dwellings that are used as personal holiday homes and dwellings that are only occupied for part of the year.