

COUNCIL TAX DISCOUNT – LONG TERM VOIDS

1. Introduction

On 18 September, a recommendation was approved which changes the treatment of Vacant Dwellings in the Local Government funding distribution formula for 2020/21. The consequence of this for Carmarthenshire is the loss of around £1 million in Revenue Support Grant (RSG) annually, all else being equal. In order to mitigate the need to make additional budget cuts (or Council Tax increases), this report recommends Carmarthenshire withdraw our discretionary discount and set a full council tax charge for properties classified as long term empty properties, i.e. properties empty for 6 months or more.

2. Vacant Dwellings (not otherwise exempt)

Empty properties are classed as properties that are unoccupied and substantially unfurnished.

Current Situation:

- 2.1. Under the “standard” Council Tax scheme, when a dwelling becomes unoccupied and substantially unfurnished, there is an initial six months exemption period during which time there is no charge.

Once this exemption period expires (and provided no other exemption applies) a vacant property is subject to a 50% charge, or put another way, it attracts the standard 50% discount, which will carry on indefinitely.

- 2.2. At any given time there are in the region of 3000 dwellings in Carmarthenshire that are vacant and subject to the 50% charge. (See Table 1 for overview of the volume of vacant dwellings).
- 2.3. The Local Government Act 2003 gave councils the discretionary powers to reduce or remove the 50% discount in respect of long term empty properties.
- 2.4. The annual Tax Base calculation has reflected the reduction in taxable resource due to the standard discounts granted. This means that the authority has been effectively “compensated” for the loss via RSG; i.e. for vacant properties, 50% is collected from owners and 50% received via RSG.
- 2.5. The Welsh Government are seeking to introduce changes to the Local Government funding distribution formula for 2020/21.

- 2.6. Since 2004, most local authorities across Wales have used their discretionary powers to remove the discount on properties following the standard six month exemption. There are only three other local authorities that apply a 50% discount on long term empty properties, namely Swansea, Neath Port Talbot and Blaenau Gwent. It is expected that these three will likewise review their existing policy which currently provides discounts for this class of property, so that the discount is removed with effect from April 2020.

TABLE 1 – Vacant Dwellings Charged 50% over the past 5 years

Date	Approximate Volumes
31.10.18	2,964
31.10.17	2,844
31.10.16	2,705
31.10.15	2,948
31.10.14	2,867

3. Premiums

- 3.1. The Welsh Government has put in place legislation that permits Local Authorities to set a premium charge i.e. above 100% and up to a maximum of 200% council tax for long term empty homes and second homes in their area.
- 3.2. A Local Authority will be able to retain any additional funds generated by implementing premiums and amendments to the calculation of the tax base will be made to facilitate this. However, authorities are encouraged to use any additional revenue generated to help meet local housing needs, in line with the policy intentions of the premiums.
- 3.3. In order for a premium to apply to long term empty or second homes a billing authority must make its first determination at least one year before the beginning of the financial year to which the premium relates, and must also give consideration to engagement, and consultation with key stakeholders, including the local electorate before taking a decision as to whether or not to charge a premium.
- 3.4. Evidence from other Local Authorities that have pursued this policy is that it can have significant risk. Some areas have seen material changes to their tax base, for example as owners of holiday rentals change designation to become eligible for Business Rates in order to avoid the premium. Consequently, this report does not propose setting a premium charge in Carmarthenshire.

4. Advantages of the proposed change

- 4.1. The Council Tax Base calculation currently takes into account properties that receive a 50% discount 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.
- 4.2. It is expected that by removing the discounts it will discourage property owners from allowing them to remain empty for long periods and thus not fall into disrepair.
- 4.3. 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.
- 4.4. The removal of the discount on long term empty properties could support the Council's objectives in relation to getting empty homes back into use and the increase in affordable housing.
- 4.5. The Council's Housing department are responsible for addressing the issue of long term empty properties within the County. They communicate with homeowners to identify reasons as to why a property remains empty and signposting the owners to options for bringing the property back into use including the use of the 'Houses into Homes' loans scheme.
- 4.6. 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 County.

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 helping to protect the value of surrounding properties.

- Unsightly properties can often deter investment in an area, which can lead to decline.

4.7. Council Tax Payers will continue to receive exemptions and discounts as appropriate e.g. whilst staying in a residential care or nursing home, single person discount for occupied dwellings.

5. Financial Impact

5.1. The formula to allocate Local Authority funding is kept under regular review by Distribution Sub Group, a working group constituting local government Section 151 officers, WLGA officers and Welsh Government officials. In September 2019, a recommendation was approved to disregard vacant property discounts for the purposes of the tax base. This will have the effect of reducing Carmarthenshire's share of Revenue Support Grant by approximately £1 million.

5.2. This reduction can be offset by an increase in council tax receipts by removal of the current discretionary discount for dwellings vacant in excess of six months. Officers will monitor this additional revenue closely with the aim of ensuring no reduction in Carmarthenshire's collection rate.

6. Recommendation and Reason

6.1. To review the council tax discount for empty properties in line with the Welsh Government's consideration to change the Local Government Funding distribution formula and to assist the Council to fund its Budget from 1st April 2020.

6.2. It is recommended that the removal of the 50% discount on long term empty properties be accepted and following the initial 6 months exemption period allowed on empty properties, the full council tax charge be applied from 1st April 2020.