

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

CABINET

10 JULY 2019

REPORT OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES – Hywel Jenkins

SECTION A – MATTERS FOR DECISION

WARDS AFFECTED: ALL

REMOVAL OF COUNCIL TAX DISCOUNTS FOR EMPTY PROPERTIES AND SECOND HOMES

Purpose of Report

1. This report provides details of the current policy with regard to Council Tax discounts and sets out a proposal to amend the authority's discretionary powers to remove the level of discount in respect of dwellings that are classified as long term empty properties and those that are deemed prescribed classes of dwellings (usually described as second homes).

Executive Summary

2. The Welsh Government are seeking to introduce changes to the Local Government Funding formula for 2020/21 which means that in order to ensure that they are not financially disadvantaged and have to make additional budget cuts each Council will need to withdraw their discretionary discounts and set a full council tax charge for properties classified as empty properties and second homes i.e. council tax dwellings classified as Class A, Class B and Class C.
3. There are currently 1,399 empty properties where the tax payer is benefiting from a 50% discount on their Council Tax bill and 546 unoccupied but furnished properties where the tax payer is benefiting from a 25% discount on their Council Tax. This report proposes to charge full council tax (100% per relevant property

band) for second homes and empty properties by removing discounts. This report does not propose to set a “premium” council tax charge for such property categories.

Background -

Council Tax Prescribed Class of Dwelling – Second Homes

4. In the case of a dwelling as defined in the Council Tax (Prescribed Class of Dwelling) (Wales) Regulations 1998, as amended, the Council has discretion to award up to 50% discount in respect of the two following prescribed classes of dwellings, i.e. second homes under Class A and Class B. However members should note that the actual discount determined by this Council for second homes falling under these two classes is 25%.

Class A

- (a) which is not the sole or main residence of an individual;
- (b) which is furnished; and
- (c) the occupation of which is prohibited by law for a continuous period of at least 28 days in the relevant year.

Class B

- (a) which is not the sole or main residence of an individual;
- (b) which is furnished; and
- (c) the occupation of which is not prohibited by law for a continuous period of at least 28 days in the relevant year.

5. Examples of the circumstances affecting many of the dwellings which fall into prescribed class (2nd homes) are:
 - A pensioner moving into sheltered accommodation and leaving the dwelling unoccupied but furnished.
 - A dwelling which is for sale, unoccupied but furnished.
 - An unoccupied but furnished property jointly owned by a parent and sibling(over 18), where the parent moved into a nursing home and subsequently passes away.
 - A property which passes to someone’s ownership when probate is granted and is unoccupied but furnished.
 - A furnished rented property which is unoccupied in-between tenants.

Empty Properties (Class C)

6. Empty properties, i.e. properties that are unoccupied and 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.
7. 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.
8. The Council has previously determined that a discount of 50% be granted in respect of Class C properties.

“Premium” charge of Council Tax

9. The Welsh Government has put in place legislation that allows Councils to set a premium charge i.e. above 100% and up to a maximum of 200% council tax for empty properties and second homes. The aim of that policy/legislation is to encourage best use of property, local use and contributions to communities. All proceeds from the additional premium charge is to be spent locally on housing related services and shared accordingly with the other local precepting bodies. Prior to implementing a premium a council must consult with their taxpayers and provide relevant taxpayers with a minimum 12 month notice of any such premium charge. Members should note that this report does not propose setting a premium charge in Neath Port Talbot Council.

Data Analysis

10. The overall number of properties classified as Class A and Class B (second homes) for the past 5 years is detailed below.

Financial year	Number of properties
2018/19	546
2017/18	582
2016/17	512
2015/16	496
2014/15	444

11. The updated position as at the 1st May 2019 shows there are 546 second home properties. An analysis of these properties by Band and Parish can be found at Appendix 1.
12. The overall number of properties classified as Class C (long term empties) for the past 5 years is detailed below.

Date	Number of properties
31.10.18	1,332
31.10.17	1,423
31.10.16	1,376
31.10.15	1,412
31.10.14	1,468

13. The updated position as at the 1st May 2019 is that there are 1,399 empty properties. An analysis of these properties by Band and Parish can be found at Appendix 2.
14. Since 2004, across Wales, a number of councils have used their discretionary powers to remove the discount on Class A, B and C properties. This Authority is the only one to apply a discount to Class A and B properties i.e. second homes and there are only 3 other councils that apply a 50% discount on Class C properties, namely Swansea, Carmarthenshire and Blaenau Gwent. It is expected that all Councils will review their policies to provide discounts under these classes from 1 April 2020.

Benefit of Proposed Change

15. The Council Tax Base calculation currently takes into account properties that receive a discount for Class A, B and C 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. From October 2019 it is expected that the Welsh Government will amend the funding rules so that the Council Tax Base calculation will not take into account the discounts for these property classes. As a result the Council needs to remove the discounts in order to benefit from the full funding allocation from next year's Local Government Settlement.
16. In addition to this, it is expected that by removing the discounts it will encourage property owners to make better use of their

properties, not allow them to remain empty for long periods and thus not fall into disrepair.

17. 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.
- 18 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 helping to protect the value of surrounding properties.
- Unsightly properties can often deter investment in an area, which can lead to decline.

The Council's Environmental Health department are responsible for addressing the issue of long term empty properties within the County Borough. The bulk of their work relates to communication 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.

19. 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.

Financial Impact

20. The Welsh Government proposal to amend the Financial Settlement to Local Government would reduce the amount of grant due to this Council unless the proposals set out in this report are approved. Based upon the number of properties mentioned earlier in paragraphs 11 and 13 it is projected that the gross council tax proceeds will increase by £1m - see below:

Category	No of properties	Band D Equivalent	Council Tax yield @ 97%
Second Homes	546	112	£174k
Empty properties	1,399	547	£851k
Total	1,945	659	£1,025

However the benefit to the council will be offset by a grant settlement reduction of some £600k together with a collection allowance of some £200k realising an estimated net increase of some £200k.

Integrated Impact Assessment (IIA)

21. A first stage impact assessment has been undertaken to assist the Council in discharging its legislative duties. This is set out at Appendix 3 and shows this proposal will impact on some 1,945 properties and their occupiers across the County Borough. The assessment concludes that there is no need for a full IIA to be completed.

Valleys Communities Impacts

22. No implications.

Workforce Impacts

23. There will be additional work in trying to collect the additional Council Tax charged however there will be a compensatory reduction in work as we currently review these accounts on an annual basis and undertake a visit in the first instance to confirm entitlement to the discount.

Legal Impacts

24. There are no legal impacts arising from this report.

Risk Management

25. There is risk associated with having to collect the additional Council Tax, it may have an adverse effect on our collection rate if taxpayers do not pay the additional increase in Council Tax due. There is also a risk associated with potential fraud where the owner may declare a person living at a property in order to avoid paying full Council Tax on an empty property. These risks will be monitored closely.

Crime and Disorder Impacts

26. 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.
27. The removal of the discounts will encourage tax payers to bring these properties back into use and have a positive impact in assisting to reduce crime and disorder.

Consultation.

28. There is no requirement for external consultation on this item. During the remainder of 2019 it is proposed to write to all current recipients of these discounts to inform them that the charge from 1 April 2020 will increase to pay 100% of the Council Tax charge.

Recommendation

29. It is recommended that Cabinet approves the removal of the current discounts and make a full council tax charge from 1 April 2020 for Class A and B (second homes) and for Class C (long term empty) properties.

Reason for Proposed Decision

30. To review the council tax discounts for second homes and empty properties in line with the Welsh Government consideration to change the Local Government Funding formula and to assist the Council to fund its Budget from 1 April 2020.

Implementation of Decision

31. The decision is proposed for implementation after the three day call in period.

Appendices

Appendix 1 - A current analysis, as at 1st May 2019 of Class A and B properties (Second Homes) by Band and Parish

Appendix 2 - A current analysis, as at 1st May 2019 of Class C (Empty) properties by Band and Parish

Appendix 3 – Impact Assessments

List of Background Papers

Council Tax (Prescribed Class of Dwelling) (Wales) Regulations 1998.
Local Government Finance Act 2003

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Class A and Class B Discounts (Second Homes) by Band and Parish at 1 May 2019

Appendix 1

Parish	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Band I	Total
Briton Ferry	11	13	1	0	0	0	0	0	0	25
Neath North	3	17	13	5	1	0	0	0	0	39
Neath South	7	8	2	2	2	1	0	0	0	22
Blaengwrach	0	1	4	0	1	0	0	0	0	6
Blaenhonddan	2	11	4	9	4	3	0	1	0	34
Clyne & Melincourt	1	2	0	0	0	0	0	0	0	3
Coedffranc	4	14	7	1	2	0	1	1	0	30
Crynant	0	2	7	2	1	0	0	0	0	12
Dyffryn Clydach	3	2	1	6	0	0	0	0	0	12
Glynneath	4	8	3	2	1	0	0	0	0	18
Onllwyn	2	2	0	0	0	0	0	0	0	4
Pelenna	1	2	3	3	0	0	1	0	0	10
Resolven	5	2	1	2	1	0	0	0	0	11
Seven Sisters	4	3	0	0	0	0	0	0	0	7
Tonna	1	2	2	3	0	0	0	0	0	8
Gwaun Cae Gurwen	3	10	4	1	1	0	0	0	0	19
Cwmlllynfell	3	3	2	1	0	0	0	0	0	9
Ystalyfera	9	11	6	4	0	0	0	0	0	30
Pontardawe	3	13	8	6	3	0	0	0	0	33
Cilybebyll	0	2	4	1	3	0	0	0	0	10
Aberavon	2	11	2	1	0	0	0	1	0	17
Sandfields West	1	10	0	1	0	0	0	0	0	12
Sandfields East	2	11	8	5	0	0	0	0	0	26
Baglan	1	10	5	5	1	3	0	0	0	25
Glyncorwg	36	4	1	2	1	0	0	0	0	44
Cwmavon	0	13	2	2	0	0	1	0	0	18
Port Talbot	2	13	5	7	1	0	0	0	0	28
Taibach	3	13	3	0	0	0	0	0	0	19
Margam	2	4	3	3	1	1	0	0	0	14
Bryn	0	0	0	1	0	0	0	0	0	1
Total	115	217	101	75	24	8	3	3	0	546

Class C Discount (Empty Properties) by Band and Parish at 1 May 2019

Appendix 2

Parish	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Band I	Total
Briton Ferry	34	53	11	2	1	0	0	0	0	101
Neath North	21	31	18	10	2	1	1	0	0	84
Neath South	32	61	9	4	3	0	0	0	0	109
Blaengwrach	17	8	2	1	0	0	0	0	0	28
Blaenhonddan	11	15	11	17	11	4	3	1	1	74
Clyne & Melincourt	5	8	2	0	0	0	0	0	0	15
Coedffranc	26	38	22	5	3	0	3	0	0	97
Crynant	0	4	6	7	2	1	0	0	0	20
Dyffryn Clydach	4	5	2	2	0	1	0	0	0	14
Glynneath	18	17	11	3	2	0	0	0	1	52
Onllwyn	4	4	0	2	0	1	0	0	0	11
Pelenna	7	3	0	1	1	0	0	0	0	12
Resolven	18	14	4	3	0	0	0	0	0	39
Seven Sisters	5	9	2	2	1	0	0	0	0	19
Tonna	6	3	3	1	0	1	0	0	0	14
Gwaun Cae Gurwen	17	26	12	0	0	0	0	0	0	55
Cwmllynfell	7	8	1	0	1	1	0	0	0	18
Ystalyfera	35	17	6	3	0	0	0	0	0	61
Pontardawe	31	22	20	10	5	0	0	2	1	91
Cilybebyll	4	4	11	8	3	0	0	0	0	30
Aberavon	12	40	2	0	0	0	0	0	0	54
Sandfields West	2	17	0	0	0	0	0	0	0	19
Sandfields East	10	21	5	3	0	1	0	0	0	40
Baglan	5	21	10	10	4	2	0	0	0	52
Glyncorwg	99	5	0	2	0	0	0	0	0	106
Cwmavon	10	25	5	2	2	0	0	1	0	45
Port Talbot	23	34	6	1	1	0	0	0	0	65
Taibach	16	27	3	0	1	1	0	0	0	48
Margam	6	2	3	1	3	0	3	2	0	20
Bryn	0	3	1	2	0	0	0	0	0	6
Total	485	545	188	102	46	14	10	6	3	1,399

1. Details of the initiative

Initiative description and summary: Removal of Council Tax Discounts for Empty Properties and Second Homes.

There are some 1,399 empty properties and 546 second homes receiving a 50% or 25% discount respectively out of a total of some 66,000 properties in the County Borough. This is approximately 2.8% of the total number of properties. Council taxpayers will continue to benefit from the various exemptions, discounts and council tax reductions scheme as per the WG legislation and schemes. In recent years the WG have introduced the ability to charge premium on council tax for empty properties and second homes in order to encourage more and local use and reduce long term inoccupation of property. For 2019/20 the NPT Council element of council tax discount at 25% is at Band D is valued at £453.53, whilst the Band D 50% discount for empty properties is valued at £907.06. As Council Tax varies for Band A from 2/3rds of Band D to a maximum of 21/9ths for Band I properties the actual additional cost to the council taxpayer will also vary by the same ratio depending upon their property Band Value. This proposal will be an incentive for property to be used and not left empty thus benefiting the wider local economy and community.

The Welsh Government have in recent years provided legislation to enable Council’s to set premium charges of council tax resulting in payments of between 100% and 200% of the relevant Council Tax Property Band Charge. They are also proposing for 2020/21 that The Welsh Government Revenue Settlement Grant be distributed to Councils on the Council Tax Base gross of discounts for second homes and empty properties. As one of a small number of Council’s this proposal would reduce the amount of grant received from the Welsh Government unless the Council amends its discretionary policy on awarding discounts under Class A, B and C of the Council tax legislation.

Service Area: Council Tax

Directorate: Finance and Corporate Services

2. Does the initiative affect:

	Yes	No
Service users		X
Staff	X (possibly)	

Wider community	X	
Internal administrative process only		X

3. Does the initiative impact on people because of their:

	Yes	No	None/ Negligible	Don't Know	Impact H/M/L	Reasons for your decision (including evidence)/How might it impact?
Age				X		<p>The initiative will impact on homeowners whose properties fall into one of the three classes currently receiving a discount. The Revenues database does not hold all the relevant data to be able to confirm the information to answer this question specifically. However it is likely that some of the 1,945 council tax payers affected by the proposal would fall into one or more of the protected characteristic categories but there are other discounts and exemptions that are provided in legislation that provide support to some of our most vulnerable people to help them pay their council tax.</p>
Disability				X		
Gender Reassignment				X		
Marriage/Civil Partnership				X		
Pregnancy/Maternity				X		
Race				X		
Religion/Belief				X		
Sex				X		
Sexual orientation				X		

4. Does the initiative impact on:

	Yes	No	None/ Negligible	Don't know	Impact H/M/L	Reasons for your decision (including evidence used) / How might it impact?
People's opportunities to use the Welsh language		X				
Treating the Welsh language no less favourably than English		X				

5. Does the initiative impact on biodiversity:

	Yes	No	None/ Negligible	Don't know	Impact H/M/L	Reasons for your decision (including evidence) / How might it impact?
To maintain and enhance biodiversity		X				
To promote the resilience of ecosystems, i.e. supporting protection of the wider environment, such as air quality, flood alleviation, etc.		X				

6. Does the initiative embrace the sustainable development principle (5 ways of working):

	Yes	No	Details
Long term - how the initiative supports the long term well-being of people	X		The initiative should have a positive impact on the number of empty properties in the County Borough.
Integration - how the initiative impacts upon our wellbeing objectives	X		
Involvement - how people have been involved in developing the initiative		X	The initiative is being implemented in advance of changes to Welsh Government funding arrangements. By approving the scheme early in 2019 those affected will be informed and in sufficient time for them to make alternative arrangements.
Collaboration - how we have worked with other services/organisations to find shared sustainable solutions		X	

Prevention - how the initiative will prevent problems occurring or getting worse	X		The initiative should have a positive impact on the number of empty properties in the County Borough.
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7. Declaration - based on above assessment (tick as appropriate):

A full impact assessment (second stage) is not required	
Reasons for this conclusion	
<p>The initiative is being implemented in advance of Welsh Government changes to Council funding arrangements. It provides encouragement to property owners to maximise the use of their properties, bring property into use and help local economic activity. The Council would be financially disadvantaged by not implementing a change to these discretionary discounts which could affect the Council's ability to provide services to communities and service users across the County Borough. Whilst it is proposed that the discounts for empty properties and second homes are withdrawn and a full council tax charge be set these will impact on some council tax payers with protected characteristics but some may also benefit from other discounts and exemptions which are available to help the most vulnerable people in our communities pay their council tax.</p>	

A full impact assessment (second stage) is required	
Reasons for this conclusion	

	Name	Position	Date
Completed by	Huw Jones	Head of Finance	2 July 2019
Signed off by	Hywel Jenkins	Director of Finance and Corporate Services	3 July 2019