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Llywodraeth Cymru
Welsh Government

Welsh Government Consultation Document

Consultation on The Local Authorities (Calculations of Council Tax Base) (Wales) (Amendment) Regulations 2016

Date of issue: 15 July 2016

Action required: Responses by 2 September 2016

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.
This document is also available in Welsh.

Overview This is a consultation on The Local Authorities (Calculations of Council Tax Base) (Wales) (Amendment) Regulations 2016 to reflect implementation of the council tax premiums on long-term empty homes and second homes from 1 April 2017.

How to respond Responses can be emailed or sent direct to:

Local Government Finance Policy
Welsh Government
Cathays Park
Cardiff
CF10 3NQ
e-mail: LGF1Consultations2015@wales.gsi.gov.uk

Further information and related documents **Large print, Braille and alternative language versions of this document are available on request.**

Contact details For further information, or queries regarding this consultation, please email

LGF1Consultations2015@wales.gsi.gov.uk

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Data protection How the views and information you give us will be used

Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about. It may also be seen by other Welsh Government staff to help them plan future consultations.

The Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. This helps to show that the consultation was carried out properly. If you do not want your name or address published, please tell us this in writing when you send your response. We will then blank them out.

Names or addresses we blank out might still get published later, though we do not think this would happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including the Welsh Government. This includes information which has not been published. However, the law also allows us to withhold information in some circumstances. If anyone asks to see information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published, that is an important fact we would take into account. However, there might sometimes be important reasons why we would have to reveal someone's name and address, even though they have asked for them not to be published. We would get in touch with the person and ask their views before we finally decided to reveal the information.

Introduction

The Housing Act (Wales) 2014 gives local authorities discretionary powers to implement council tax premiums on long-term empty homes and second homes in their areas, from 1 April 2017. From this date, local authorities will be able to charge liable properties up to 100% of the standard rate of council tax.

This consultation sets out the Welsh Government's proposals for the treatment of council tax premiums in the calculation of the council tax base so local authorities are able to retain any additional revenue generated to help meet local housing needs.

The purpose of the consultation is to seek views on the proposed treatment of the council tax premiums within the calculation of the tax base. Accompanying the consultation are the draft Local Authorities (Calculation of Council Tax Base) (Wales) (Amendment) Regulations 2016 ("the 2016 Regulations") which will amend the Local Authorities (Calculation of Council Tax Base) (Wales) Regulations 1995 ("the 1995 Regulations") for financial years beginning on or after 1 April 2017.

Views are sought only in relation to the amendments being made to reflect the introduction of the council tax premiums. There is no intention to make other changes to the way in which the council tax base is calculated.

This consultation is aimed at local authorities, major precepting authorities (Police and Crime Commissioners) and local precepting authorities (Town and Community Councils). It is open for a six-week period from 15 July to 2 September 2016.

Background

The 1995 Regulations provide for the calculation by billing authorities (county and county borough councils) and major precepting authorities of the council tax bases for their area or part of their area.

The council tax base is a measure of the taxable capacity of an area, expressed as the number of band D equivalent dwellings in the area. A band D equivalent dwelling is determined by a series of ratios. For example, a band A dwelling counts as 6/9 of a band D dwelling, whereas a band H dwelling counts as 18/9 of a band D dwelling.

The council tax base is the aggregate of the relevant amounts calculated for each valuation band (A-I), multiplied by the authority's estimated collection rate for the year. It is used for the purposes of calculating a billing authority's and a precepting authority's band D council tax.

The basic band D council tax amount for an area is determined as follows.

$$\frac{\text{Budget requirement having deducted certain income}}{\text{Council tax base}} = \text{Band D amount}^1$$

¹ See section 33 of the Local Government Finance Act 1992.

The authority calculates its budget requirement and deducts the estimated amount it will receive in respect of certain income and grants. This figure is divided by the council tax base to produce the basic amount of council tax for a band D dwelling.

The 1995 Regulations require the council tax base to reflect any discounts or exemptions that are applicable. The granting of a discount or exemption will have the effect of reducing the tax base. In a similar way, the proposed treatment of the premiums in the calculation of the tax base will have the effect of increasing the tax base for authorities that implement a council tax premium.

Calculation of Council Tax Base

Proposals

The Welsh Government wants to enable local authorities implementing the council tax premiums to retain any additional revenue generated as a result. Whilst this revenue will not be ring-fenced, local authorities will be encouraged to use it to assist with the provision of affordable housing and meeting other local housing needs.

Council Tax Base

The draft 2016 Regulations, accompanying this consultation, insert a new Regulation 5B into the 1995 Regulations. Regulation 5B sets out a new formula for the calculation of the tax base for financial years starting on 1 April 2017 onwards, with the inclusion of a new factor “E” to take account of the premiums in the calculation of the relevant amount. All the other factors remain the same and are defined in the regulations.

$$(H - Q + E + J) \times (F \text{ divided by } G)$$

To calculate “E” a billing authority must, for each valuation band, multiply an estimate of the number of dwellings to which a premium applies with the “relevant percentage”. The relevant percentage is the amount by which the authority has increased council tax by charging a council tax premium.

For example, assuming an authority makes a determination to charge a council tax premium of 50% on long-term empty homes, then a liable property would be counted in the council tax base as follows:

- Band A property: $6/9 \times 1.5 = 1.0$ Band D equivalent dwelling
- Band D property: $9/9 \times 1.5 = 1.5$ Band D equivalent dwellings
- Band H property: $18/9 \times 1.5 = 3.0$ Band D equivalent dwellings

An authority that decides to charge a premium for both long-term empty homes and second homes but at different levels will have to calculate the amount of “E” for each premium. Similarly, an authority which decides to adopt an incremental scale for the long-term empty homes premium, based on the length of time a property has been empty, will need to calculate “E” for each percentage that applies.

Q1. Do you agree that this is the most appropriate way to reflect properties liable to the premiums in the council tax base?

The Local Government Settlement

The Welsh Government intends to make amendments to the CT1 Form so that any increases in an authority's tax base as a result of implementing a council tax premium can be separately identified.

For the purposes of the Local Government Settlement, the tax base figure used for each authority will be net of any increases attributable to the council tax premiums. This will ensure that the implementation of the council tax premiums will not impact on the distribution of local authority core funding.

Q2. Do you agree that increases in the council tax base attributable to the premium should be disregarded for the purposes of the Local Government Settlement?

Major Precepting Authorities

The Welsh Government believes that where a billing authority opts to charge a premium in its area and so increase its council tax base, then this should be the council tax base that the relevant major precepting authorities should use. This is consistent with the approach used to reflect certain discounts which billing authorities apply which decrease the tax base for major precepting authorities.

Q3. Do you agree with the treatment of the council tax base in relation to Major Precepting Authorities?

Consultation questions

The Welsh Government is interested in further comments you may have in relation to the proposed treatment of the council tax premiums within the calculation of the tax base. However, it is not seeking views more generally on the calculation of the council tax base. In addition to these comments, three specific questions are also posed in the consultation document.

Next Steps

Following the close of the consultation, the responses will be analysed and any necessary amendments made to the draft 2016 Regulations. It is intended that the amending regulations will be laid before the National Assembly for Wales in October so that they can come into effect by 31 October 2016.

A number of consequential and technical amendments will also be made to other sets of regulations, such as those relating to appeals and demand notices, in order to reflect the introduction of the premiums.

The Welsh Government will also be providing guidance on the administration and application of the premiums and their exceptions, as well as information reporting requirements.