

**APPENDIX 6**

**COUNCIL TAX**

- 1. It is a key decision for the full Council’s members to make, in light of the considerations presented here, to establish the exact level of Council Tax for 2020/21. The key to all of this is to strike an appropriate balance between the need to spend on services for the most vulnerable in our society, and the appropriate tax increase to be levied on the residents of Gwynedd.
- 2. In historical assumptions made in our medium term financial strategy, a figure of 3.5% was used, as an estimate of the average increase in Wales. For 2019/20, the Welsh Government’s grant settlement was disappointing, and the tax had to be increased 5.8%, when there was an average tax increase across the counties of Wales of 6.2%. By 2020/21, Gwynedd's tax increase was 3.9%, in the context of an average increase of 4.6% across Wales.
- 3. This year, by 2021/22 it is recommended to increase the tax 3.7%, which would yield tax of £77m, including £2.7m of Premium yield and £2.7m of additional income towards the gap. This would equate to a Council Tax increase of £52.92 in a Band D property, or £1.02 a week. The tax levied by the Police Authority (increase of 5.14% in 2021/22) and the community councils (various %) will of course be in addition to this.
- 4. Over 15.6% of households which are liable to pay tax in Gwynedd receive some element of assistance towards their Council Tax, and over 60% of properites in Gwynedd are in bands lower than band D. Every additional 0.1% of tax would adjust the funding gap we would need to find by around £74,210. Therefore, 0.5% would mean adjusting the funding gap by around £371,060 whilst 1% would mean adjusting the funding gap by around £742,120.
- 5. The increase in Gwynedd’s Council Tax, together with the average increase across Wales since 2014/15, is shown below.

<b>Year</b>	<b>Gwynedd</b>	<b>Wales</b>
2020/21	3.9%	4.6%
2019/20	5.8%	6.2%
2018/19	4.8%	5.0%
2017/18	2.8%	3.1%
2016/17	4.0%	3.7%
2015/16	4.5%	4.3%
2014/15	3.9%	4.2%
Total 2014-21	29.7%	31.1%
Average 2014-20	4.2%	4.4%

In 2020/21, Gwynedd Council’s Band D Council Tax level was £1,430, while the average level of tax for the counties in Wales was £1,354.

<https://gov.wales/sites/default/files/statistics-and-research/2020-03/council-tax-levels-in-wales-april-2020-march-2021-942.pdf>

6. We do not yet know what the exact average increase across Wales will be for 2021/22, but the latest information I have is that the average across Wales will be around 4%. Therefore, the proposal made here to increase the tax 3.7% is going to be lower than the Wales average for 2021/22, and therefore will comply with our long-term policy.
7. Should the Council members want an increase less than 3.7% in the level of Tax, then less will have to be spent on Services. The option discussed at the members' workshops was not to fund some of the permanent 'Category 2' revenue bids contained in Appendix 2b. The 'Category 1' bids are almost inevitable, but there is slightly more discretion with the 'Category 2' bids. The right-hand column in Appendix 2b sets out how much Council Tax for 2021/22 would be reduced by not approving the individual 'Category 2' bids.
8. The choice between maintaining services and taxation is always difficult, of course, and it is a matter for all members to weigh things up and find a balance they consider to be appropriate. However, further to many informal conversations in the members' workshops, **a Council Tax increase of 3.7% is recommended, which would be a weekly increase of £1.02, or £52.92 annually, with a Band D tax of £1,483.23 for 2021/22.**

#### **COUNCIL TAX PREMIUM YIELD ON EMPTY PROPERTIES AND SECOND HOMES**

9. The main report on the Council's Budget to the Cabinet had been prepared based on a scenario where the 50% premium on second homes and on properties that have been empty for 12 months or more continued for 2021/22.
10. However, at the full Council meeting on 3 December 2020, a decision on granting discounts and charging a premium was deferred, asking the Cabinet to consider the appropriateness of increasing the level to up to 100%.  
<https://democracy.gwynedd.llyw.cymru//ielistdocuments.aspx?cid=130&mid=4214&ver=4&>
11. Following a decision at the Cabinet meeting 15 December 2020, a public consultation was held on the proposal to increase the Premium on Second Homes and Long Term Empty Properties to up to 100% for the 2021/22 financial year.  
<https://democracy.gwynedd.llyw.cymru//ielistdocuments.aspx?cid=133&mid=4168&ver=4>
12. Having considered the response and the relevant factors, there is a further report on the agenda for the Cabinet meeting of 16 February 2021, with a view to making a relevant recommendation to the full Council on 4 March 2021. The Council may decide to continue for 2021/22 with the premium of 50% on second homes and empty properties, or convert it to any level between 0% up to 100%.
13. Should the Council decide to continue with a 50% premium, it is estimated that the Council will receive £2.7m of income in 2021/22 from the premium tax yield, and it was decided that the money would be put into a fund to implement the Housing Strategy, which aims to provide housing for young people in our communities. The Housing Strategy was approved at the Cabinet meeting of 15 December 2020.

14. Should the Council decide to increase the premium on second homes and empty properties to 100%, all income and related expenditure would need to be incorporated into the 2021/22 budget. However, for the purpose of setting the Council's 2021/22 Budget, for the time being, the additional tax yield will be ring-fenced, for further consideration by Cabinet in relation to the expansion of the Housing Strategy.
15. Therefore, following a possible decision by the full Council on 4 March 2021 to increase the premium on second homes and empty properties to 100%, the second set of key figures / the second version of the decision sought would have to be chosen for the Council's 2021/22 Budget.