

CABINET

10 NOVEMBER 2010

JOINT REPORT OF HEAD OF BENEFITS AND REVENUES AND HEAD OF FINANCIAL SERVICES

A.14 COUNCIL TAX: - DISCRETIONARY DISCOUNTS FOR DOMESTIC PROPERTIES

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PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To recommend to Council the Council Tax discounts for 2011/2012 in respect of second homes, long term empty properties and locally defined discounts.

EXECUTIVE SUMMARY

The Council Tax Base calculation, to be approved by the Finance Portfolio Holder, must take into account the decision on discounts for “second homes”, long-term empty properties and the option to set local discounts. The discretionary discounts decision falls to the Council following a recommendation from Cabinet and must be made on an annual basis.

With effect from 1 April 2009 the Council opted, for the first time, to introduce a difference between the Council Tax charged on a second home, i.e. one that is furnished but not occupied as a main residence, to that of an empty property, i.e. an unfurnished property. (For more detailed definitions see appendices A & B to this report.) Prior to this change, both types of property enjoyed a 10% discount.

The Corporate Management Committee met on 19 October 2009 to review this issue and recommended that the discount set for second homes should remain at 10% and that the decision not to grant a discount to long term empty properties, should also continue. Officers recommend that this situation should remain for the coming year.

No locally defined discretions have been introduced since the relevant legislation was implemented and none are thought necessary at present. (See Appendix C for a summary of this option.)

RECOMMENDATION

The Cabinet recommend to the Council that for 2010/2011 the current discounts continue to apply. Namely

- **a 10% discount on second homes**
- **no discount on empty properties and**
- **no locally defined discretions be introduced.**

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Setting the second homes and long-term empty property discounts is an integral part of the budget setting process. The Council’s budgets are prepared with the aim of directly and indirectly supporting the key objectives of the Corporate Strategy. One of those key objectives is to provide

affordable and decent homes. It was hoped that by setting the Council Tax at 90% for second homes and 100% for empty properties, owners will be encouraged to minimise the period during which they remain empty and increase the availability of homes in the district. The evidence to date is that this strategy is working, though it is recognised that there are currently many factors affecting the housing market.

FINANCE, OTHER RESOURCES AND RISK

Finance and other Resources

The Council Tax on second homes must be charged at a minimum of 50% of the full charge but may be charged up to 90%. Local authorities (including major precepting authorities) retain any additional income received by increasing the charge on second homes from the minimum charge. An agreement has been signed with Essex CC (ECC) under section 136 of the LGA 1972 as they wish to contribute towards the expenditure incurred by Tendring DC on concurrent functions. The amount the County Council will pay to the Council is 60% of any budgeted additional income it receives from the Tendring area in respect of second homes.

The grant in 2011/2012 for concurrent functions received from ECC, as a result of the reduction in discounts for second homes, is expected to be in the region of £350,000. The receipt of the grant from ECC is a major source of income in the Council's financial strategy. In addition to the grant from ECC the Council can expect further income in the region of £80,000 in respect of the portion of tax payable direct to TDC for second homes.

The agreement with ECC continues "*.....until terminated by either party by providing written notice to the other during any Financial Year by no later than 4 months before the date on which the budget for the forthcoming financial year is approved by Council*". It is therefore reasonable to assume that the agreement will continue for the foreseeable future. There are not any similar agreements with the Police and Fire Authorities, as section 136 of the LGA 1972 does not apply. However the Police have in the past made additional resources available to Tendring's Crime and Disorder Reduction Partnership.

No agreements have been made in relation to the income from long-term empty properties as income received from taxpayers by the Council or the major precepting authorities is assessed by the Government and offset from the Revenue Support Grant. (RSG)

The Council is required to make a return to the Government of band D equivalents on which it is currently able to derive income from Council Tax. This return was submitted to Government by the statutory deadline in October, based as required, on the current position. This information is one of the components the Government has used previously in the calculation of the Council's RSG.

Risk

There are no significant risks identified.

LEGAL

The Finance Portfolio Holder has delegated power to set the Council Tax Base. However, to be able to do this, the discounts in respect of second homes, long term empty properties and the need for any locally defined discounts have to be determined. Under the Local Government Act 2003 (LGA 2003) the discounts have to be set annually by the full Council.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities /Area or Ward affected / Consultation/Public

Engagement.

Crime & Disorder

Empty properties can attract vandalism and increase the potential for crime. If the larger amount of Council Tax charged on empty properties encourages their return to occupation this may also help towards the Council's aim of providing a safer community.

Equality and Diversity

The recommendation is to apply a 10% discount to all second homes and no discount on long term empty properties across the entire district. The implications will apply to all property owners and it is considered that there are no equality and diversity issues specific to this issue.

Wards Affected

All

PART 3 – SUPPORTING INFORMATION

BACKGROUND

Prior to April 2005 an automatic 50% discount was applied to both second homes and long-term empty properties.

The discretion to set different Council Tax discounts for these properties was introduced from 2005, together with an option to introduce locally defined discounts. The details behind these discretions are set out in the appendices to this report.

From 2005 the Council reduced the discount to 10% for both types of property resulting in a 90% charge.

From 1 April 2009 it was decided to give no discount to long term empty properties whilst leaving the second homes with the maximum charge allowed of 90%.

No locally defined discretions have been introduced since the relevant legislation was implemented.

CURRENT POSITION

From 1 April 2009 the discount of 10% on empty properties was removed with a view to

- provide an incentive for the tax payer to advise the Council of any change in status enabling Council records to better reflect the true situation.
- Reduce the number of long term empty properties in the district and
- Increase the amount of housing available in the market place.

On 19 October 2009 the Corporate Management Committee considered the impact of the above change, as requested by full Council and recommended that the revised discounts continue.

PROPOSED DISCOUNTS FOR THE COMING YEAR

It was recognised by the Corporate Management Committee that there are many factors affecting the domestic property market at present but the evidence of the first eighteen months supports the continuation of the current position. This is also the recommendation of officers.

BACKGROUND PAPERS FOR THE DECISION

Report to Corporate Management Committee 19 October 2009.

APPENDICES

Appendix A Council Tax Discount Options For Second Homes

Appendix B Council Tax Discount Options For Long Term Empty Properties

Appendix C Council Tax Discount Options For Locally Defined Discounts

APPENDIX A

COUNCIL TAX DISCOUNT OPTIONS FOR SECOND HOMES

Definition	<p>Furnished dwellings chargeable under Council Tax legislation, which are NOT anyone's sole or main residence (excluding mobile homes, boat moorings and properties not in use by persons required to live in tied accommodation because of their work, these properties continue to receive a mandatory 50% discount).</p> <p>Class A = occupation which is restricted by a planning condition preventing occupancy for a continuous period of at least 28 days in the relevant year. Class B = occupation not restricted as in Class A</p>
Options	<p>Councils have the discretion to award a discount ranging from 50% to 10% but must grant statutory minimum discount of 10% (i.e. Can set a Council Tax charge ranging from 50% to 90%)</p>
Location	<p>The Council may apply the discretion to all dwellings in that class for the whole of TDC area or to only part(s) of the district as specified by the Council.</p>
Financial Situation	<p>Local authorities (including major precepting authorities) will retain any additional income received by awarding discounts of less than 50%.</p> <p>Essex CC contribute, an amount equivalent to 60% of any budgeted additional income it receives from the Tendring area in respect of second homes, towards the expenditure incurred by Tendring DC on concurrent functions.</p>
Current situation	<p>A 10% discount is in place across the entire district. Most properties do not have planning restrictions of 28 consecutive days and so the Council has not set different charges for class A and class B.</p> <p>However, new rules came into effect from 1 April 2007 and properties are now exempt from the charge for each day that a planning restriction prevents occupancy.</p>
Changes to the above situation	<p>It is recommended that no change is made to the present position and that the 10% discount remains in place across the entire district.</p>

APPENDIX B

COUNCIL TAX DISCOUNT OPTIONS FOR LONG TERM EMPTY PROPERTIES

Definition	Class C. Unoccupied and substantially unfurnished dwellings chargeable under council tax legislation. (Generally this relates to properties which have been empty for more than 6 months).
Options	Councils have the discretion to reduce or remove completely the 50% discount. (i.e. Can set a Council tax charge ranging from 50% to 100%)
Location	The Council may apply the discretion to all dwellings in that class for the whole of TDC area or to only part(s) of the district as specified by the Council.
Financial Situation	The Government assesses the amount of income that authorities (including major precepting authorities) will receive from reductions in discounts on empty properties and reduces the amount of Revenue Support Grant (RSG) received accordingly.
Current situation	Currently no discount is in place for all such properties across the entire district. Previously it was considered that by charging the same rate as second homes there is less incentive for taxpayers to try to avoid the second home charge and the increased Council Tax may persuade the owners to bring empty properties back into use. In the light of experience it is now considered that having the discount set at the same level as second homes does not provide an incentive to correctly report a property as a second home when it is already recorded as empty. The full charge on long term empty properties encourages taxpayers to correctly notify us of second homes that are currently recorded as empty properties and provide some further incentive to bring empty properties into use. The discount was removed from 1 April 2009 and its removal appears to be bringing about the desired changes.
Changes to the above situation	It is recommended that no change is made to the present position and that no discount is granted across the entire district for long term empty properties.

APPENDIX C

COUNCIL TAX DISCOUNT OPTIONS FOR LOCALLY DEFINED DISCOUNTS

Definition	The definition is at the Council's discretion to take account of any particular type of property which the Council wishes to treat independently of other types of property.
Options	Councils have the discretion to specify any new Council Tax discounts/exemption which it wishes to create.
Location	The Council may apply the discretion to all dwellings in that class for the whole of TDC area or to only part(s) of the district as specified by the Council.
Financial Situation	The cost of any such discretion must be met fully by this Council. This includes reimbursing the other precepting authorities for any loss of income brought about by the Council's local discretion. It is worth considering that Tendring District Council's share of the Council Tax is approximately 10%. Consequently the cost of exercising this option could be considerable.
Current situation	There are no local discretions in place and no budgetary provision for such an option.
Changes to the above situation	There are no anticipated changes to the above situation and it is recommended that we continue with no local discretions in place.