

CABINET

26 OCTOBER 2011

JOINT REPORT OF THE PORTFOLIO HOLDERS FOR BENEFITS AND REVENUES AND FINANCE AND ASSET MANAGEMENT

A.5 COUNCIL TAX: - DISCRETIONARY DISCOUNTS FOR DOMESTIC PROPERTIES

Report prepared by Nigel Borley

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To recommend to Council the Council Tax discounts for 2012/2013 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 18 July 2011 to review the 100% charge on empty properties as requested by the full Council meeting on 7 December 2010 (minute 80). It was RESOLVED - (a) That Cabinet be informed that in the opinion of this Committee the current policy not to grant a Council Tax discount on long-term empty properties should continue.

Currently Essex County Council (ECC) contributes towards the expenditure incurred by Tendring District Council (TDC) on concurrent functions by paying 60% of their increased share of the second homes charge to TDC. However, they have determined that this will end on 31 March 2012. They did suggest that they may offer a 40% contribution but following responses from Essex Authorities (including TDC) they have decided to increase the offer.

ECC have now written to confirm that a new three year agreement is on offer that will share their increased income from second homes on a 50:50 split. Therefore, the projected income figures below show the effect of both contribution levels from ECC.

Despite the reduction in contribution from ECC, officers still recommend the charge continues at 90%. It is estimated that the total income received from second homes will reduce from £513,320 to £443,692 (based on this year's figures) when ECC reduces its share from 60% to 50%. However, TDC would still receive approximately £95,550 even if ECC choose not to share its increased proportion at all.

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 recommends to the Council that for 2011/2012 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 ECC under section 136 of the LGA 1972 as they wish to contribute towards the expenditure incurred by TDC on concurrent functions. The amount the County Council currently pays to TDC is 60% of any budgeted additional income it receives from the Tendring area in respect of second homes. Notice has been received from ECC that the 60% contribution will cease at the end of the 2011/12 financial year. They have decided to replace this with a 50% contribution for three years, subject to TDC signing the agreement.

Estimated effect on additional income of reducing the council tax charge for second homes in Tendring

Total Council Tax charge to property owner				Total Council Tax charge to property owner		
	60% ECC share to TDC	50% ECC share to TDC	Income Direct to TDC		Total Income to TDC with ECC at 60% share	Total Income to TDC with ECC at 50% share
90%	417,770	348,142	95,550	90%	513,320	443,692
80%	313,328	261,106	71,663	80%	384,990	332,769
70%	208,885	174,071	47,775	70%	256,660	221,846
60%	104,443	87,035	23,888	60%	128,330	110,923
50%	0	0	0	50%	0	0

The grant in 2011/2012 for concurrent functions received from ECC, as a result of the reduction in discounts for second homes, is £417,770. 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 will receive further income of £95,550 in respect of the portion of tax payable direct to TDC for second homes.

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. Normally this information would be one of the components the Government uses in the calculation of the Council's RSG. However, this year the return is only to provide information and details for the New Homes Bonus as a two year RSG award was announced last year.

New Homes Bonus

A key factor in the calculation of any New Homes Bonus due to the Council is the number of empty properties. The more empty properties we have the lower the award will be. If the current policy is dissuading people from leaving properties empty for a long period, it must be considered that this could change if the 100% charge on empty properties was reduced.

Risk

There are no significant risks identified.

LEGAL

The Finance and Asset Management 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.

The Corporate Management Committee met on 18 July 2011 to review the 100% charge on empty properties and they recommended that the current policy not to grant a Council Tax discount on long-term empty properties should continue.

PROPOSED DISCOUNTS FOR THE COMING YEAR

It is recommended that the current situation continues which is:-

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

BACKGROUND PAPERS FOR THE DECISION

Report to Corporate Management Committee 18 July 2011.

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 D Letter from Essex County Council on Second Home Discounts

APPENDIX A

COUNCIL TAX DISCOUNT OPTIONS FOR SECOND HOMES

<p>Definition</p>	<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> <p>The Council has the discretion to set different charges for class A and class B.</p>
<p>Options</p>	<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>
<p>Location</p>	<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>
<p>Financial Situation</p>	<p>Local authorities (including major precepting authorities) will retain any additional income received by awarding discounts of less than 50%.</p> <p>ECC have contributed 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 TDC on concurrent functions. This will cease next year but they may decide to introduce a 40% contribution.</p>
<p>Current situation</p>	<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>
<p>Changes to the above situation</p>	<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.

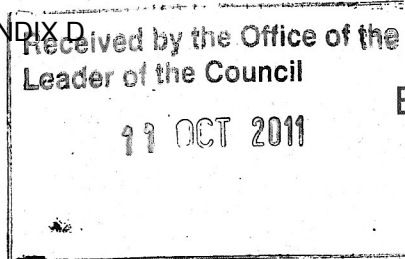
APPENDIX C

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.

Essex County Council
Cabinet Office
PO Box 11, County Hall
Chelmsford
Essex CM1 1LX

APPENDIX D



Essex County Council

Cllr Stock
Leader,
Tendring District Council
Town Hall, Station Road
Clacton on Sea, CO15 1SE

Date: 10 October 2011
Our Ref: DF/LL

Dear Cllr Stock,

Second Homes Discount – termination of current agreement

I would like to thank you for your feedback following my letter on the 15 August 2011 regarding the termination of the current agreement on Second Homes Discount.

At present there is an agreement in place between our two authorities in relation to the Council Tax discount available on second homes. Essex County Council currently passes over to your authority, 60% of the additional income received by us as a result of the reduction of the second homes discount in your area from 50% to 10%. This is to recognise the workload involved in altering the discount and maintaining the database. At a recent meeting of the Essex Leaders' Group I notified members that this arrangement will be terminated with effect from 1st April 2012, but can be replaced by an alternative arrangement.

Having taken on board your comments my proposal is that there will be a 50:50 split between the County Council and the District and Borough Councils for the next three years. We will shortly be asking you to sign a new agreement to replace the one that has been terminated. It is anticipated that the only change to this agreement will be the proportion of the income passed between our authorities.

As previously stated there is a requirement under the formal agreement for District/Borough councils to use this money on functions concurrent to those provided by the County Council. After receipt of statement from ECC, District/Borough councils are required to send ECC a statement detailing how they have budgeted to spend the additional income. This statement must be signed off by the Section 151 Officer.

I look forward to working with you in the future.

Yours sincerely

Cllr David Finch
Deputy Leader, Cabinet Member for Finance and Transformation Programme
Telephone: 01245 438426
Fax: 01245 438420
internet: www.essex.gov.uk



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BACKGROUND PAPERS

CORPORATE MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE 18 JULY 2011

REPORT OF HEAD OF BENEFITS & REVENUES SERVICE

A.5 COUNCIL TAX: - DISCOUNTS FOR EMPTY DOMESTIC PROPERTIES

Report prepared by Nigel Borley

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

On 7 December 2010 the Council resolved “That the current policy of having no discount on empty properties be reviewed early in the next financial year by the relevant overview and scrutiny committee.”

EXECUTIVE SUMMARY

The Local Government Act 2003 introduced the option for Local Authorities to vary the percentage discount allowed for empty properties from 50% to 0% for all or part of the geographic area.

Properties unaffected by the optional change include all exempt properties, empty mobile homes and empty properties owned by persons whose job requires them to live elsewhere.

From 1 April 2005 the Council opted (for the whole area) to grant a discount of only 10% for empty properties. From 1 April 2009 the discount for empty properties was reduced to 0% (resulting in a full charge to be paid). The rationale behind both of these decisions was that empty homes are seen as undesirable for the district. In order to help bring empty homes back into use the Council employs an empty homes officer.

The amount of discount to be granted, if any, must be made each year as part of the council tax setting process. However, there has been a change in legislation from April 2011 which adds to the significance of empty properties. The government has introduced a new income stream for Councils by providing a 6 year grant for every new property shown on the council tax return, minus the number of empty properties in the area. Any increase in empty properties therefore reduces the grant funding available.

RECOMMENDATION

That, in accordance with the Council’s wishes, this committee is requested to review the current policy of having no council tax discount on empty properties and make recommendations to the Cabinet of changes, if any are considered necessary.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Setting the 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.

FINANCE, OTHER RESOURCES AND RISK

Finance and other Resources

By reducing the discount on empty properties the equivalent number of chargeable properties (the tax-base), increases. The increased tax-base allows for more income to be collected locally with less reliance on 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 is submitted to the 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.

From the 2011/2012 financial year, the Government have introduced a new homes bonus scheme. In essence the scheme measures the number of properties less the number of empty properties at each year's determination of its tax-base and awards an amount of Council Tax for six years for any growth. The annual equivalent amounts available range from £959.48 for a band A property to £2,878.44 for a band H property. This money is split with 80% going to the District Council and 20% to the County Council.

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

Currently the decision applies to all long term empty properties across the entire district. As the implications will apply to all property owners it is considered that there are no equality and diversity issues specific to this issue.

Wards Affected

All

PART 3 – SUPPORTING INFORMATION

BACKGROUND

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

The Corporate Management Committee met on 19 October 2009 to review the discount issue and recommended that the decision not to grant a discount to long term empty properties, should continue.

CURRENT POSITION

Not all empty homes are affected by the 100% charge as there are various exemptions categories which attract a nil charge during the exemption period. The majority of Council Tax exemptions end after six months so the empty property charge commences when the exemption ends. Certain exemptions can last for longer periods (i.e. twelve months for uninhabitable properties) but all properties would be exempt for up to six months after a prolonged period of occupation.

It was hoped that by setting the Council Tax at 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 over the last three years shows a reduction but this is no doubt due to the many factors affecting the housing market rather than just the 10% variation in charge.

	End of May 2008	End of May 2011
Unoccupied exempt properties (generally empty for less than 6 months)	1,810	1,563 (down 14%)
Long term empty properties (at least six months)	1,219 -being charged 90% Council Tax	960 (down 21%) -being charged 100% Council Tax
Total Number of empty properties (excluding holiday homes)	3,029	2,523 (down 17%)

From the 2011/2012 financial year, the Government have introduced a new homes bonus scheme. In essence the scheme measures the number of properties, less the number of empty properties, at each years' determination of the tax-base (this occurs in the first week of October) and awards an amount of Council Tax for six years for any growth. The key factors influencing the calculation are the number of properties, any banding changes and the number of empty properties. It is likely that re-introducing a discount on long term empty properties will increase their number and that will have a negative effect on the potential income stream introduced by the new homes bonus. Past experience has shown that if there is no financial incentive for home owners to advise the council that the property is no longer empty then this information is not forthcoming. Establishing the information through our own efforts is expensive and time consuming.

Current Housing needs in Tendring

We are currently developing a new Choice Based Lettings Scheme called Tendring Homechoice. This new approach for letting social housing is designed to give tenants greater choice in selecting where and in what property type they wish to live.

Under Tendring Homechoice housing register applicants are placed in a band from A to E based on their priority, with A being the highest priority and E being the lowest.

The Housing Register at the end of May 2011 shows 3,579 applications have been received for more suitable accommodation with 1,135 of these falling into bands A, B and C.

BACKGROUND PAPERS FOR THE DECISION

None.

APPENDICES

None.