

REPORT TO THE MEETING OF THE EXECUTIVE 3 NOVEMBER 2010

PORTFOLIO: COUNCIL TAX COLLECTION, BENEFITS AND STRATEGIC HOUSING

REPORT FROM HEAD OF COMMUNITY SERVICES

SUBJECT: REVIEW OF LONG-TERM EMPTY PROPERTIES AND COUNCIL TAX SECOND HOMES DISCRETIONARY DISCOUNT POLICY

1 DECISION BEING RECOMMENDED

- 1.1 That the discretionary discount awarded on long-term empty properties in the District be reduced from 50% to 0% with effect from 1st April 2011.
- 1.2 That the discretionary discount awarded on second homes in the District be reduced from 50% to 10% with effect from 1st April 2011.

2 REASONS FOR RECOMMENDATION

- 2.1 Within the Council's Housing Strategy 2008-2011, one of the principle aims is to reduce the number of empty homes in the District and reviewing the level of Council Tax discount given to long term empty properties could have a positive impact on this aim and also raise local revenue.
- 2.2 Properties that have been left unoccupied and substantially unfurnished are exempt from paying Council Tax for up to 6 months. This is to allow time for the property to be sold or re-occupied.
- 2.3 Once the exemption has expired, long term empty properties would receive a 50% discount on the Council Tax charge. However, the Local Government Act 2003 gave Councils new discretionary powers to reduce or remove the 50% discount awarded in respect of long-term empty properties and also to reduce the discount awarded on second homes from 50% to a minimum of 10%.
- 2.4 The same arrangements also exist for owners of second homes in the District. Second homes are properties owned by taxpayers who have their sole or main residence elsewhere and, although these properties may be furnished, they are not used by anyone as their sole or main place of residence. These properties can often be unoccupied for several months of the year or even most of the year.
- 2.5 The Government's decision to give local authorities the discretion to remove discounts on long-term empty properties stems from its wish to increase available housing through encouraging landlords and owners to bring long-term empty properties into use.

- 2.6 In addition there is also County wide disparity with the level of discounts Rochford District Council awards compared to other local authorities in Essex. The Council is currently the only authority offering 50% discount on second home owners, with all others offering 10%. With regard to long term empty properties, it is only Rochford and Brentwood that give 50% discount, with all others offering no discount.

3 ALTERNATIVE OPTIONS CONSIDERED

- 3.1 To retain the status quo and continue awarding a 50% discount on long-term empty properties and a 50% discount on second homes.

4 OTHER SALIENT INFORMATION

- 4.1 There are currently 415 long-term empty properties (empty for 6 months or more) in the district that qualify for the 50% discount. The effect of reducing the discount from 50% to 0% for these properties would, if all monies were collected, result in increased revenue for 2011/12 of approximately £288,947. This additional revenue would be shared amongst the precepting authorities as follows:-

Rochford District Council	£40,452
Essex County Council	£210,931
Essex Police Authority	£26,005
Essex Fire Authority	£11,557

- 4.2 As for second homes, there are currently 34 properties within the District. The effect of reducing the discount from 50% to 10% for these properties would, if all monies were collected, result in increased revenue on a year on year basis of approximately £23,981. This additional revenue would be shared as follows:-

Rochford District Council	£3,098
Essex County Council	£16,155
Essex Police Authority	£1,991
Essex Fire Authority	£885

- 4.3 It should be noted that the removal of discounts on long-term empty properties from 1st April 2011 would result in a 'one off' windfall increase in revenue for 2011/12 only. This is because when the tax base for 2012/13 is calculated we will have to take into account the effect of the discount being removed. As there will be fewer discounts it will mean a greater number of

'Band D' equivalents and therefore a higher tax base. This in turn will result in the Revenue Support Grant being amended so that any additional revenue generated from the removal of discounts on long-term empty properties is retained nationally for 'Local Government purposes'. The impact of this would therefore apply from 1st April 2012.

- 4.4 However, with regard to second homes, it has always been the Government's intention that where a billing authority chooses to reduce the discount, both the billing authority and major precepting authorities should benefit from an increase in their tax base. The tax base used in the calculations of the Revenue Support Grant would therefore not be increased and both the billing authority and the major precepting authorities would benefit financially on an ongoing basis.

5 RISK IMPLICATIONS

- 5.1 There would be an element of uncertainty regarding how the removal and reduction of discounts may impact on the overall collection of council tax. The Section 151 Officer will therefore need to consider whether it may be prudent to adjust the collection rate used in the annual tax base calculation. Removing the discount would however, be consistent with the authority's priorities set out in the Housing Strategy 2008-2011, one of the aims being to reduce the number of empty homes in the district.

6 CRIME AND DISORDER IMPLICATIONS

- 6.1 Removal of the discount on long-term empty properties could contribute to encouraging occupation of empty dwellings and therefore reduce the potential of vandalism.

7 RESOURCE IMPLICATIONS

- 7.1 There is likely to be an increase in enquiries as a consequence of any decision and also a higher level of debt to collect if the discounts are reduced and/or removed. However, this additional work can be absorbed within existing resources. Removal of the discount for long term empty properties would result in a one-off "windfall" of £40,452 in 2011/12. Reducing the discount for second homes from 50% to 10% would result in an additional income, year on year, of £3,098.

I confirm that the above recommendation does not depart from Council policy and that appropriate consideration has been given to any budgetary and legal implications.

SMT Lead Officer Signature: _____

Head of Community Services

Background Papers:

None

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