
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM:	10
DATE OF MEETING:	11 DECEMBER 2003	CATEGORY:	DELEGATED
REPORT FROM:	CHIEF FINANCE OFFICER	OPEN	
MEMBERS' CONTACT POINT:	CHRIS SWAIN (595812)	DOC:	
SUBJECT:	COUNCIL TAX DISCOUNTS AND EXEMPTIONS	REF:	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:	

1.0 Recommendations

- 1.1 Members are asked to note the contents of the report.
- 1.2 It is recommended that no changes be made at this stage in respect of Council Tax discounts and exemptions for the financial year 2004/2005.

2.0 Purpose of Report

- 2.1 To bring to the attention of Members the changes to Council Tax discounts and exemptions

3.0 Executive Summary

- 3.1 Section 75 of the Local Government Act 2003 inserts a new section 11A into the Local Government Finance Act 1992 which allow a billing authority to change the level of council tax discount for classes of dwellings defined by the Secretary of State.
- 3.2 The second homes class excludes a pitch occupied by a caravan or a mooring occupied by a boat and dwellings owned by people who are required to live in tied accommodation elsewhere because of their work.
- 3.3 The billing authority may reduce but not remove the discount on second homes to no less than 10%.
- 3.4 The billing authority may reduce or remove the discount on long term empty homes. In either case, the billing authority may determine to change the discount in all or part of its area.
- 3.5 The authority must make a determination before the start of the financial year, and publish the information in newspapers circulating locally. This section and the regulations to be made under it will be in effect in time for the financial year 2004/05.

- 3.6 Section 76 inserts a new section 13A into the Local Government Finance Act 1992 to give billing authorities in England and Wales discretion to reduce the amount of council tax payable for situations that are not covered by national discounts and exemptions.
- 3.7 The powers can be used in individual cases (e.g. individual hardship, in cases where the taxpayer is not eligible for council tax benefit, for example, where the dwelling is not their sole or main residence). Or they can determine classes of case in which liability is to be reduced (i.e. the equivalent of authorities determining exempt dwellings classes, or reductions in circumstances other than those prescribed in regulations under section 13 of the Local Government Finance Act 1992. This power can be used by billing authorities from 18 November 2003.

4.0 Detail

- 4.1 The council tax is a property-based tax, with bills based primarily on the valuation band (A-H) to which the dwelling has been assigned. However, it was also designed to take into account the occupancy of the dwelling. Therefore, the full council tax bill is payable where there are two adult residents in a dwelling. A 25 per cent discount applies where there is one resident and a double discount (i.e. 50 per cent) where the dwelling is no-one's sole or main residence. Certain groups of people (students, carers, residents of care homes etc) are disregarded for the purpose of counting the number of residents.
- 4.2 There is a general six month exemption for dwellings which become vacant (that is, unoccupied and substantially unfurnished) and up to 12 months if the dwelling also requires major repair works or is undergoing structural alteration. There are 21 other classes of exempt dwelling covering a range of circumstances such as occupation by students or diplomats; left empty because of a need to move in order to receive or provide care.
- 4.3 **a) Second homes**

Although second homeowners can contribute strongly to certain sectors of rural and seaside communities - buying goods and services where demand may otherwise be weak - the prevalence of second homes can have an important impact on the local community. High demand for second homes affects property prices in some areas, driving locals out of the housing market. If properties are not occupied for much of the time this can reduce the demand for local services such as the local bus service, the village shop and pub. In such areas, giving tax discounts to those generally able to afford full council tax is perceived as unfair.

b) Long-term empty homes

Long term empty homes can cause considerable blight to local communities and act as a honey pot for crime and anti-social behavior. They deny homes to those in housing need, are a drain on local resources (e.g. environmental health, policing) and in large concentrations can create ghost towns. Empty homes also increase pressure for new house building on green fields.

4.4 Long-term empty properties and second homes therefore can have a significant impact on the nature and sustainability of local communities. Because their impact varies considerably between areas the Government considers that local authorities should be given flexibility to reduce the discount down to a minimum of 10 per cent for second homes and to remove or reduce the discount for long-term empty homes.

4.5 Authorities should also be allowed to establish their own discounts and exemptions to take account of local circumstances or periodic events, like flooding. This would allow decisions on discounts and exemptions to reflect local circumstances in a way that helps to address associated problems.

4.6 The Rural White Paper *Our Countryside: the Future* was published in November 2000 and a paper addressing changes for Second Homes and Long Term Empty Homes was published in November 2001. This set out the following proposals:

- Discretion to remove or reduce the existing 50 per cent council tax discount for second homes (defined as furnished dwellings which are no-one's main residence).
- Discretion to remove or reduce the existing 50 per cent council tax discount for unfurnished long-term empty homes - and to decide how long a property remains empty before council tax is due.
- Discretion to grant additional council tax exemptions or discounts that are not already covered by the current national exemptions, in response to local factors (e.g. flooding) or on a case-by-case basis.

These issues give the authority the opportunity to reflect the policy contained within the Housing Strategy

4.7 However, if local authorities were to remove the discounts in their entirety this would pose a problem with identifying the second homes in their areas. This information would be required to determine the amount of additional revenue they could retain. Without this information any additional revenue raised would be absorbed into their tax bases resulting in a reduction in Government grant and a zero fiscal benefit to them in removing the discounts.

4.8 However, because of the difficulties of identifying second homes should authorities remove the discount entirely, the Government has decided to allow authorities to reduce the discount on second homes to 10 per cent with the entitlement to retain the extra revenue generated by any reduction from 50 per cent. With long term empty homes authorities will be able to remove the discount but the additional revenue raised will be retained nationally. This will help ensure that the decision to remove the discount on long-term empty homes is based on local need and wider planning issues rather than for revenue generating purposes.

4.9 It is estimated that there are about 620 properties that are no one's main residence and receive the 50 per cent discount. Less than 100 of these are potentially second homes. Therefore, exercising the discretion to reduce the current 50 per cent discount to 10 per cent on second homes and remove or reduce the discount on long-term empty homes could raise:

- £210,000 for long-term empty properties (of which we would keep about 10% - £21,000 – and that will be taken into account in future grant settlements), and
- £40,000 for second homes (of which we would keep about £4,000)

- 4.10 The proposals will apply to domestic property. Some affected dwellings may be owned by business (e.g. business which own long-term empty property). However, there is no data to quantify the impact. In the case of second homes, business will only be affected if the property is available to let as holiday property for less than 140 days a year. Homes which are available to let for more than 140 days a year are subject to non-domestic rates. Again there is no data to quantify, but most businesses are likely to make accommodation available for holiday lets for more than 140 days a year.
- 4.11 In addition to the changes for the owners of second homes and long-term empty properties, the Act contains provisions whereby authorities (ie District Councils) can choose to offer such a discount as they wish. This does not require specific government approval because the new power to create local discounts is contained in section 76 of the Local Government Act 2003.
- 4.12 Examples of such discounts could include a discount for Pensioners, those living in property affected by flooding, those living in any particular type of property or any class of payer. Indeed, a discount could even be given on an individual basis.
- 4.13 A major hurdle to the granting of any local discount is the formulation of a scheme to ensure that the wishes of Members are fully reflected and that the scheme is fair. Should, for example, a Pensioner scheme be introduced, a number of questions would have to be addressed. These would include the definition of a "Pensioner Household" (ie one or more occupants being of pensionable age; how non-pensioners/non-pensioner owners should be treated; the inter-action with the Benefit Scheme). This is in addition to the exact circumstances in which any other discount could be awarded.
- 4.14 Members should, however, be aware that to implement the above provisions, changes to the computer software will be required. The migration to the Anite "Pericles" product is in progress with an anticipated "go-live" date of June, 2004. All resources are fully committed to this project and the requirement to amend the existing software to introduce any changes will have a profound impact on the project.

5.0 Financial Implications

- 5.1 An estimate of the additional tax that could be raised from the owners of second homes and long-term empty properties is given at paragraph 4.9 above.
- 5.2 It should be noted that any additional discount will be applied to the account before any entitlement to Council Tax Benefit is calculated. Consequently, the benefit will be calculated on the net figure which will result in a reduced claim for benefit subsidy.
- 5.3 There are no financial resources allocated for the amendment of the current software. Programming resources are also at a premium.

6.0 Corporate Implications

- 6.1 Any additional Council Tax collected will be shared between the major precepting authorities and, in this way, the largest share of any additional amount collected will go to the County Council as the District Council's share of any additional income will be in the region of 10%
- 6.2 It is also important to note that any additional income levied may prove difficult to collect. It can prove especially difficult to identify owners of empty properties and resources would have to be used to identify the exact status of the properties that are currently no one's main residence.
- 6.3 Any Council Tax that is not collected will have an impact on the collection fund and ultimately need to be made good from taxpayers across the District.

7.0 Background Papers

- 7.1 The Local Government Finance Act 2003

