

**Subject:** Council Tax Discounts

**Status:** For Publication

---

**Report to:** Cabinet,

**Date:** 18<sup>th</sup> October 2006

---

**Report of:** Head of Financial Services

---

**Portfolio**

**Holder:** Finance & Risk Management

---

**Key Decision:**

NO

NO/YES (Please delete)

Forward Plan  
*Relevant Box*

General Exception

Special Urgency

"X" In

---

## 1. PURPOSE OF REPORT

- 1.1 The purpose of the report is for Members to consider the discretionary relief given, in relation to Council Tax, on second homes and empty properties.

## 2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report are linked to and support the following corporate priorities:

- *Promoting Rossendale (Economy)*
- *Delivering Regeneration across the Borough (Economy)*
- *Delivering the district vision (Partnerships)*

## 3. RISK ASSESSMENT IMPLICATIONS

- 3.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- The council is currently incurring an opportunity cost by allowing full exemptions, an opportunity therefore exists to increase financial resources

- All precepting bodies (ie County, Police and Fire) have agreed that additional revenues generated, from “second homes”, will be reinvested into the Local Strategic Partnership (LSP) and Crime and Disorder Reduction Partnerships (CDRP).
- There is a risk this income might be harder to collect which will be mitigated through the use of prudent income assumptions and the improvements in collection techniques flowing from the Capita contract.

#### **4. BACKGROUND AND OPTIONS**

4.1 Council currently allows a discount on second and empty homes of 50%. Technical this area falls into two categories:

- Empty Furnished property (generally referred to as second homes)
- Empty unfurnished property (generally referred to as unoccupied or empty unfurnished property), the current arrangements being a discount of 50%, indefinitely, following an initial Class C exemption for a maximum six months (see 4.3 below).

4.2 Second Homes - The Local Government Act 2003 gave councils new discretionary powers to reduce the 50 percent discount currently awarded in respect of second homes with effect from 1 April 2004. Second homes are defined as furnished properties which are not occupied as someone’s main residence. This includes furnished properties that are unoccupied between tenancies. The Act now allows councils to restrict the levels of discount given to a minimum 10% on Empty Furnished Property

4.3 Empty Unfurnished Property - The Local Government Act 2003 gives councils new discretionary powers to reduce or remove the 50 percent discount currently awarded in respect of long term empty properties with effect from 1 April 2004. A property is classed as long-term empty if it has been empty and unfurnished for more than six months and does not qualify for any other exemption. The Class C exemption is a statutory right, whereby empty unfurnished properties are exempt for up to six months. Newly built properties are exempt for up to six months after they are completed as long as the property remains unoccupied and unfurnished

4.4 The council therefore has the ability to raise further Council Tax by restricting the discounts give to a minimum 10% (Furnished property only, no minimum on unfurnished property).

4.5 The logic in restricting discounts, particularly in the area of unfurnished property. Is to encourage occupancy of properties, in some cases address disrepair issues and generally encourage that the condition and use of the owner’s property is contributing positively to the local community. Thus this represents a key economic lever within the Councils Empty Properties Action plan.

- 4.6 Lancashire County Council and District Councils have previously agreed that addition funds raised from “second homes” council tax should be made available to the LSPs and that the spending of additional funds allocated should be delegated to the District Councils. In addition the Police and Fire authorities have made their net additional tax collected available to Crime and Disorder Reduction Partnerships (CDRP).
- 4.7 Additional revenue raised from any changes to current exemptions given on “empty unfurnished properties” will form part of general revenue receipts and will not be specifically allocated for earmarked use.
- 4.8 The Current numbers for unoccupied properties (for more than six months) and second homes and potential revenue implications are as below (note these numbers are less than the total number of empty properties due to the six month cut off):

<b>UNOCCUPIED DISCOUNT</b>	<b>SECOND HOME</b>	<b>PROPERTY BAND</b>	<b>C Tax</b>	<b>Potential - Unoccupied</b>	<b>Potential - 2nd Homes (Min'm 10%)</b>
530	25	A	931.48	246,842	9,315
102	11	B	1,086.74	55,424	4,782
72	5	C	1,241.98	44,711	2,484
54	6	D	1,397.23	37,725	3,353
22	6	E	1,707.72	18,785	4,099
15	3	F	2,018.22	15,137	2,422
8	0	G	2,328.71	9,315	-
2	0	H	2,794.46	2,794	-
<b>805</b>	<b>56</b>			<b>430,733</b>	<b>26,454</b>

- 4.9 With regard to resource allocation of the above, and the potential allocation to each authority from council tax on unoccupied properties and allocations to the LSP and the CDRP from second homes, the potential splits would be:

	<b>% Split</b>	<b>Potential - Unoccupied</b>	<b>Potential - 2nd Homes</b>
<b>RBC</b>	17	71,502	4,391
<b>LCC</b>	71	307,113	18,862
<b>LPA</b>	8	34,889	2,143
<b>LPFA</b>	4	16,799	1,032
	100	430,303	26,428

- 4.10 It should be noted that from a practical and pragmatic point of view any changes to billing and discount arrangements may incur resistance, particularly in the initial period of change, however this must be balanced with the increase expected in the actual quantum of Council Tax. Officers have consulted with other Lancashire districts on the question of collection rates; however there

seems little evidence of collection rates being monitored on either unoccupied unfurnished and second home properties. The amounts available to the LSP and CDRP for budget purposes will be based on the final calculation of 2 tax bases one including and one excluding the 2<sup>nd</sup> homes discount.

- 4.11 The table below forecasts revenue collected on both unfurnished and second homes therefore resulting in additional financial resources, based on various collection rates:

<b>% Collection Rates</b>	<b>Unoccupied</b>	<b>2nd Homes</b>
100	430,733	26,454
90	387,660	23,809
80	344,587	21,163
70	301,513	18,518
60	258,440	15,872
50	215,367	13,227
40	172,293	10,582
30	129,220	7,936
20	86,147	5,291
10	43,073	2,645

- 4.12 There may in some instances be a genuine reason why a property cannot be brought back into occupancy within a six month timeframe. Amongst other reasons this could be down to economics, sickness, the level of work required, planning issues, etc. The professional judgment of Council officers may be required, in consultation with Ward members, with a view to giving customers some further discount (eg the current 50%) on a temporary extension basis. In addition there still remains in play a Class A exemption in that empty and unfurnished properties in need of structural repair or alteration in order to make them habitable are exempt for up to 12 months.
- 4.13 A detailed policy will need to be drawn up indicating the margin which any discretion would be exercised. This along with the fundamental change in policy would need the approval of Full Council as part of the Budget.

## **5. COMMENTS OF THE HEAD OF FINANCIAL SERVICES**

- 5.1 The financial implications are considered within the report.

## **6. COMMENTS OF THE HEAD OF LEGAL AND DEMOCRATIC SERVICES**

- 6.1 There are no material legal issues.

## **7. COMMENTS OF THE HEAD OF HUMAN RESOURCES**

7.1 There are no material Human Resource issues.

## 8. CONCLUSION

8.1 The current arrangements for 2<sup>nd</sup> homes and unoccupied properties are an opportunity cost for the Council at a time of limited resources and may be a hindrance in getting unoccupied properties back into full use.

8.2 Members have the opportunity to consider if the current arrangements are in the best interests of the borough and the wider community.

## 9. RECOMMENDATION(S)

9.1 That members consider the current arrangements for second homes Council Tax exemptions and if mindful consider the level of discount given in the future.

9.2 That members consider the current arrangements for empty unfurnished properties Council Tax discounts and if mindful consider the level of discount given in the future.

9.3 That the Cabinet if it wishes to change the current policy indicates its intention to make proposals to do so as part of the budget package that will be considered by the Full Council

## 10. CONSULTATION CARRIED OUT

10.1 Lancashire Districts

10.2 Lancashire County Council

<b>Contact Officer</b>	
Name	Philip Seddon
Position	Head of Financial Services
Service / Team	Finance
Telephone	01706 252465
Email address	philseddon@rossendalebc.gov.uk

**No background papers**