

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 12
DATE OF MEETING:	4 December 2008	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	PAM CARROLL (EXT 5784) RAY KEECH (EXT 5990)	DOC:
SUBJECT:	COUNCIL TAX DISCOUNT CHANGES	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM12

1.0 Recommendations

- 1.1 To reduce the discount for Second Homes to 10%.
- 1.2 To remove the current 50 % discount in respect of long-term empty homes.
- 1.3 To agree, with Derbyshire County Council, the retention by South Derbyshire District Council of an increased share of the additional income generated.

2.0 Purpose of Report

- 2.1 To consider implementation of the discretionary Council Tax powers introduced by the Local Government Act 2003 (the Act).

3.0 Detail

- 3.1 The Act, and subsequent Regulations, gives the Council the discretion to reduce the national discount, which it currently applies, to the following classes of dwellings:
 - Class A – this is property where there is a planning condition that stops anyone living in it all year round e.g. seasonally occupied purpose built holiday homes/chalets, usually on holiday parks.
 - Class B - these are normal second/holiday homes; rented furnished residences between lets; any part furnished/furnished property not being occupied for any purpose.
 - Class C - are properties that have been unfurnished and unoccupied for more than six months, unless otherwise exempt.

- 3.2 The discretion, as regards second homes, allows the authority to reduce the current discount of 50% to any percentage down to a minimum of 10%. This power was introduced originally as a response to the view by Councils, with predominately rural areas, who considered that the use of properties in such a manner actively contributed to the decline of living communities. The legislation was seen to be means of encouraging local occupation by local people.
- 3.3 It should be noted that where the reason for the additional property is that it is occupied as a condition of employment the existing 50 % discount remains unaltered. This also applies to any dwelling consisting of a pitch occupied by a caravan or a mooring occupied by a boat.
- 3.4 So far as long term empties are concerned the discretion, to reduce the discount from 50% to any percentage down to nil, was introduced as a means to encourage the full use of all properties not currently used as any ones main residence.
- 3.5 Any amendment to the existing levels of discount would come into effect from 1 April 2009, following the decision by the Council.

4.0 Financial Implications

4.1 As the Council has not considered this matter previously, work has been carried out to identify the properties which would be affected by a decision to vary the amount of the discount, specifically to determine under which Class they should be classified i.e. Class A, B or C.

4.2 In total 684 properties are affected. The breakdown of these is as follows:

0	Class A	restricted use holiday homes
250	Class B	second homes/furnished lets of which 15 are job related
434	Class C	long term empties

4.3 On the assumption that the Council agrees the recommendations to this Report there will be an increase to collectable gross income of £ 431300 (based on the 2007/8 Band D equivalent charge of £1386.81 excluding parish precept), split as follows

Class B	£130360
Class C	£ 300940

4.4 Authorities will retain the additional income received from reducing the discount in proportion to their component element of the gross Council Tax charge. This means that the major beneficiary will be Derbyshire County Council unless an agreement can be reached whereby the District Council can retain a larger share of the income generated.

4.5 In respect of Class C properties, authorities will not retain any additional income received from reducing or removing the discount beyond the first year of implementation as future Revenue Support Grant (RSG) figures are adjusted to reflect any additional income gained.

4.6 This means that, if the County Council does not agree any enhancement, the changes proposed in this report, based on existing figures, will produce a one off

increase in revenue to this Authority, in 2009/10, of £44915; thereafter this will reduce to £13575 p.a. assuming there are no changes to the current RSG arrangements.

- 4.7 The cost of administering these discounts and collecting the amounts due rests with the billing authority and is initially difficult to quantify. Coupled with the recent expansion of the district, that has resulted in an increased numbers of accounts to be administered and a rising level of recovery and enforcement activity it is inevitable that there will be additional pressure on existing resources.

5.0 Corporate Implications

- 5.1 In the current economic climate there may be some issues in collecting the increased amounts as some of the owners will experience hardship if they have inherited a property that is in poor condition and they are unable to improve and/or dispose of it. Evidence of this has already been seen in a number of cases where the beneficiary of an estate has been unable to sell the property concerned. It should however be noted also that Private Sector Housing initiatives are in place to help owners in this position.
- 5.2 If collection becomes and/or remains an issue there is provision within the Council Tax Collection and Enforcement Regulations that allows Charging Orders to be placed on individual properties to defer payment of Council Tax until the property is sold. Increasing use is being made of the collection remedy.
- 5.3 There will also be a number of properties in Class C where it will be difficult to locate the owner and, in those cases, further enquiries may be necessary with Lands Registry for which a small fee per case referred will be payable. Ultimately it may be necessary to write off some amounts.
- 5.4 From a strategic Housing perspective the Council is committed to encouraging the return of empty property into use.
- 5.5 There are a number of key issues that are addressed by the effective utilisation of empty properties, such as
- Helping to remedy the shortfall of affordable homes in the District
 - Making effective use of scarce resources
 - Matching supply to demand
 - Potential increase of property for use in the Private Sector Leasing Scheme
 - Bettering the performance indicator of empty homes

6.0 Community Implications

- 6.1 The reduction of empty properties following the introduction of these proposals will improve the environment of those living in communities with a large number of empty properties.
- 6.2 Properties brought back into use would be available to the local housing market.

7.0 Background Papers

7.1 The Local Government Act 2003