

Cabinet – 22 October 2008

Review of Council Tax discounts granted on second homes and premises empty for more than 6 months

Portfolio: Councillor A Griffiths, Finance and Personnel

Service: Revenues and Benefits

Wards: All

Key decision: Yes

Forward plan: Yes

1. Summary of report

- 1.1 Section 11a Local Government Finance Act 1992 provides that an authority may make a determination to reduce existing 50% discounts on second homes and long term empty premises to between 10% and 0%.
- 1.2 Approximately 75% of authorities have reduced their second home discount to 10% and 45% of authorities have reduced their empty property discount to 0%.
- 1.3 If Walsall were to adopt this approach the council tax base would increase to 79,808.
- 1.4 Any decision to do this must be taken before the council tax is set for the year and must be taken by Council.

2. Recommendations

- 2.1 That the proposals be supported.
- 2.2 To recommend to Council to approve, before the council tax is set:
 - (a) that the discount on second homes be reduced to 10% from 1 April 2009;
 - (b) that the discount on premises left empty for more than 6 months be reduced to 0% from 1 April 2009.

3. Background information

- 3.1 Section 11A, Local Government Finance Act 1992 provides that an authority may make a determination that all dwellings in a specific class prescribed by the Secretary of State, will not be entitled to 50% discounts but to a reduced discount as determined in the authority's resolution.
- 3.2 Any decision to do this must be taken before the billing authority sets its council tax for the year and must be taken by Council.
- 3.3 Approximately 75% of authorities have reduced some form of discount.
- 3.4 The prescribed classes in relation to which the 50% discount may be reduced are set out in the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 (SI.2003/3011).
- 3.5 The regulations define two classes of "second homes" and one long-term empty dwelling.

3.6 Second homes

- 3.7 The authority may resolve to reduce the statutory 50% discount to any figure between 10% and 50%.
- 3.8 A decision may relate to the whole of a billing authority's area, or to specified parts of the area.
- 3.9 If an authority chooses to reduce the discount to 10%, for example, the taxpayer will be liable to pay 90% of the full council tax.
- 3.10 The two classes of second home are:

Class A - holiday homes

Class B - any other dwelling which is kept furnished but which is not the sole or main residence of any individual. This covers any dwelling being used as a second home, and also any property not being lived in, but which is kept furnished.

- 3.11 Approximately 75% of authorities reduce the 50% discount to between 10-20% on second homes.
- 3.12 There are currently 55 second homes within the borough.

3.13 Dwellings empty for more than six months

- 3.14 The Regulations (S.I. 2003/3011) provide one class of "long-term empty" dwelling defined as: Class C - properties that are unoccupied and substantially unfurnished.

- 3.14 For Class C dwellings, the authority may reduce discounts from the statutory 50% to zero, or to any amount between 50% and zero. The reduction may apply to the whole area or only to defined parts.
- 3.15 Statistics show that approximately 45% of authorities allow no discount on premises empty for more than 6 months.
- 3.16 There are currently 2,538 long term empty properties within the borough.
- 3.17 Should the discounts be fully removed this would increase the council tax base Band D equivalents to 79,808.

4. Resource considerations

No additional resources will be required to implement this change. Existing software has the capabilities to handle the change.

- 4.1 **Financial:** This change can be implemented within existing budget no additional finance is required.
- 4.2 **Legal:** Approval for any changes to the discount factor must be made by Council as per Section 67 Local Government Finance Act 1992. A decision to alter the discount needs to be passed before the council tax base is set.
- 4.3 **Staffing:** Changes can be implemented using existing staffing resources. No additional staff are required

5. Citizen impact

The additional income will enable the authority to keep council tax levels down for charge payers in the borough leaving more money in their pockets fuelling the local economy. Implementing this change will encourage property owners to re let or sell their premises quickly offering more choice to people looking for accommodation.

6. Community safety

Implementing this change will encourage speedier turn over of premises, there will be less opportunity for vandals/ unlawful entry if premises are re occupied faster.

7. Environmental impact

Repair work to premises will be undertaken more speedily in order to sell/ let premises quickly.

8. Performance and risk management issues

Whilst our overall collectable debt will increase non payment may have an adverse effect on collection figures. An improved procedure will be introduced relating to identification of liable parties.

8.1 **Risk:** Collection may dip if there are initial difficulties identifying liable parties.

8.2 **Performance management:** Procedures will be reviewed and revised relating to identification of liable parties

9. Equality implications

Standardising procedure will ensure all second home owners and long term empty property owners are dealt with equitably

10. Consultation

Consultation has taken place with professional groups, relevant staff and the portfolio holder, and other local authorities to assess the impact of the proposed changes.

Background papers: None

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29 September 2008



Signed:
James T Walsh
Chief Finance Officer
4 September 2008



Signed:
Councillor A Griffiths
Finance and Personnel
5 September 2008