

# SECOND HOMES AND EMPTY PROPERTY COUNCIL TAX DISCOUNTS

## PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

20TH NOVEMBER, 2003

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### Wards Affected

County-wide.

### Purpose

To receive a report on the new legislation regarding discounts on second homes and empty property Council Tax discounts; and to decide whether to reduce the level of discount currently applied for such property.

### Key Decision

This is not a Key Decision.

### Recommendation

**THAT Cabinet decide whether to reduce the level of discount currently applied for Second Homes and Long Term Empty Property.**

### Reasons

A Cabinet decision is required in order for the Council to benefit from the new legislation allowing discounts to be reduced on second homes and empty property.

### Considerations

#### Introduction

1. The recently passed Local Government Act has given Billing Authorities the discretion to reduce the level of discount on second homes and long term empty property. Specifically the Council can:
  - Change the nationally set Council Tax discount for second homes to a minimum of 10% and retain any additional income received from reducing the discount; and secondly
  - Reduce or remove completely the nationally set 50% Council Tax for long-term empty property. However, the Council will **not** retain any additional income received from reducing or removing this discount, as the additional income will be offset by the increased taxbase that directly affects our central government Revenue Support Grant.

## Second Home Discounts

- Current records show that we have 978 second homes which have the Band D equivalent of 1,002. Each of these homes has a 50% discount on their Council Tax bill. By reducing the Council Tax discount to 10%, this would equate to increased income of over £370,000 to the Council. The increased income from lesser discounts is shown in Table 1 with Appendix 1 giving the number of second and empty homes in each band.

**Table 1**

<b>Second Home Discount</b>	<b>Increased Council Tax Income £</b>
50%	~
40%	93,000
30%	185,000
20%	278,000
10%	371,000

- As the regulations are still not law, we have not been able to demand information, so we have had to collect information using existing records and physical property inspections. It therefore needs to be borne in mind that:
  - If we decide to vary any of the current discounts, we will need to clarify with the owner the precise, current situation and that may be different to what we have been able to obtain; and secondly
  - Owners may decide to sell, let or move furniture out to get a six-month exemption to buy some time when faced with a bigger tax bill. The figures we are supplying will, therefore, be the maximum income receivable and any budget provision would need to be made on a prudent basis.

## Long-Term Empty Properties

- Although the Council will not benefit from the increased income from the properties that are currently empty, the Council Tax discount is an important issue in terms of the Council's housing strategy, i.e. potentially increasing the number of existing properties available for purchase or rental.
- The current number of homes which have been empty for six months or more is 514.

## Conclusion

- Regulations providing full details and definitions have not been received as yet. However, it is important for Cabinet to consider the principles behind the legislation and determine the Council's policy to assist in the budget setting process.

## **Alternative Options**

The alternative option is not to action any reductions in discounts on second homes and empty properties.

## **Consultees**

There has been no consultation carried out on these issues.

## **Risk Management**

The income estimation issues have been addressed in this paper and are believed to be the main risks attached to the legislation, together with likely objections from property owners affected.

## **Background Papers**

None identified.