

Agenda Item No 9

**Local Government Act 2003- Council Tax Discounts**

**Head of Revenues and Customer Focus**

**Summary:** The Local Government Act 2003 allows Councils the discretion to set their own policy on allowing a percentage discount for Second Homes and Long-Term Empty properties for the whole or part of it's area, as well as having case by case discretion to reduce an amount of Council Tax liability to such an extent as it sees fit.

**Conclusions:** Our existing policy has been broadly accepted. Having regard to the considerations set out in this report, and that the existing policy approved in 2004 has worked well, it is felt prudent to retain the present level of discount for Classes A, B and C (as described in this report) until further review. The recommendations confirm and continue the effect of the existing resolution.

**Recommendations:** For the Financial Year 2009/2010 and future years, I recommend the following:

- a) For second home Classes A and B, I recommend you resolve to reduce the discount to the minimum 10% for both classes.
- b) For Class C long-term empty properties, I recommend you resolve to reduce the discount to 10% from the date the statutory 6 or 12 months exemption expires.
- c) For Section 13A reductions, I recommend you resolve to delegate the decision to award these to be exercised by the Head of Revenues and Customer Focus, after consultation with the relevant portfolio holder/s.

Cabinet member(s):  
Garry Wheatley

Ward(s) affected:  
All

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## 1. Background

- 1.1. There are various classes of exempt dwellings. Some dwellings are totally exempt for such a period as a condition applies, for example a dwelling left empty by a person living in a care home. There are also time-limited exemptions. A dwelling is exempt for a period of up to 12 months if it requires or is undergoing major repair or structural alteration. All other exemptions, such as dwellings which become vacant (unoccupied and substantially unfurnished) have a 6-month exemption period, after which time a charge becomes due, depending on the situation at the dwelling. It might be worth noting at this point that there is only one exempt period (unless a property is occupied for a period of 6 weeks or more) so a change of owner would not then start the time period for the exemption running again.
- 1.2. Section 75 of the Local Government Act 2003 inserted a new Section 11A into the Local Government Finance Act 1992 and introduced new powers to allow a billing authority to determine different levels of discount for second homes and long-term empty properties with effect from 1 April 2004.
- 1.3. Further advice on the regulations that came into force on the 18<sup>th</sup> December 2003 was issued from the Office of the Deputy Prime Minister (ODPM- now the Department for Communities and Local Government [CLG]) in the form of the Council Tax Implementation Letter 8/2003 (Appendix A), which identified their interpretation of how the decision regarding these discounts should be taken.
- 1.4. Once the regulations and advice became clear, Cabinet, at its meeting of 5<sup>th</sup> January 2004, resolved that both second homes and long term empty properties were to receive a 10% discount, and that decisions regarding Section 13A reductions were to be delegated to the relevant officer in consultation with the portfolio holder.
- 1.5. On 6<sup>th</sup> December 2004, Cabinet reviewed the level of discounts and resolved that for the Financial Year 2005/2006 and future years:
  - a) the minimum discount of 10% for second home Classes A and B be applied
  - b) for Class C long-term empty properties that the discount be reduced to 10% from the date the statutory 6 or 12 months exemption expires
  - c) for Section 13A Discounts and Exemptions (reductions) to delegate the decision to award these to be exercised by the Head of Revenue Services, after consultation with the relevant portfolio holder/s
- 1.6. For second homes, the minimum discount allowed must be 10%, but can be up to the maximum 50%.
- 1.7. For long-term empty properties, the discount allowed can be between 0% and 50%.
- 1.8. Class A dwellings are furnished second homes where occupation is prohibited by law for a continuous period of at least 28 days in the relevant year (these are

likely to be holiday homes or chalets subject to a planning condition restricting year round occupancy).

1.9. Class B dwellings are furnished second homes where occupation is not restricted.

1.10. Class C dwellings are unfurnished long-term empty properties.

1.11. For comparison, this is what Norfolk authorities have charged for long-term empty properties in 2008/09:

- North Norfolk -100%
- Great Yarmouth - 90%
- Kings Lynn and West Norfolk - 90%
- Norwich -90%
- South Norfolk - 90%
- Breckland -50%
- Broadland -50%

1.12. If the recession continues, there may be an increased demand for rental properties. We are already seeing an increase in home repossessions and complex housing and money advice cases in the District, where debt is an issue. The government is advising that we can expect to see a rise in homelessness cases in the next 6-9 months. And how long the recession will last for is unclear. We know that some of the large- scale house building in the area has slowed to almost standstill.

## **2. Decision Sought**

2.1. The decision to allow a 10% discount for long-term empty properties was seen as an encouragement to the owner to bring those properties back in to use, and to assist with the shortage of housing in the District. The Council could have removed the discount entirely but chose to set the level of 10% discount to discourage owners from putting furniture into property so that it be treated as a second home (which attracts a 10% discount), rather than no reduction at all.

2.2. The minimum discount allowed on second homes is 10%. As intended by Central Government, where a billing authority chooses to reduce the second homes discount (as we have done to 10%), both the billing authority and major precepting authorities benefit from an increase in their tax base. However the tax base used in the calculations of the Revenue Support Grant is not increased, and the major preceptors and the billing authority benefit financially from the extra money raised, retaining their share of the additional proceeds to be spent locally. Both Norfolk County Council and the Norfolk Police Authority use their extra income to support a range of activities. This includes grants to the South Norfolk Alliance and affordable housing projects. If we increased the second homes discount, then this income would reduce and a number of initiatives would cease.

- 2.3. Section 76 of the Local Government Act 2003 also introduced a new power for billing authorities to reduce the amount of tax payable to such an extent as it sees fit, including the power to reduce the tax to nil, this may be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to an extent provided for by the determination. The cost of granting this discount falls solely on the billing authority and is met from the General Fund, not the Collection Fund. This is known as Section 13A reduction, and has been used by other Local Authorities to give pensioner discounts, help for flooding victims, service personnel serving abroad and for exceptional or extreme hardship cases.
- 2.4. Cabinet is asked to resolve for the Financial Year 2009/2010 and future years to retain the level of discount as follows:
- a) the minimum discount of 10% for second home classes A and B be applied
  - b) for Class C long-term empty properties that the discount be reduced to 10% from the date the statutory 6 or 12 months exemption expires
  - c) for Section 13A Reductions to delegate the decision to award these to be exercised by the Head of Revenues and Customer Focus, after consultation with the relevant portfolio holder/s
- 2.5. This confirms and continues the effect of the existing resolution.

### **3. Proposal and Reasons**

- 3.1. The Billing Authority has the power to change the percentage discount allowed. The determination must be made before the beginning of the Financial Year to which it applies.
- 3.2. Once determined, the percentage discount allowed can be set for an unlimited period of time.
- 3.3. Experience in recent years shows the following:
- the principle of reducing the discount to bring houses back in to use is good and helps to encourage houses into either the rental or sale market.
  - Where customers have complained, the main thrust of their argument has been the comparison between being a single household and getting a 25% discount, or having a second home or long term empty property, only attracting a 10% discount.
  - We have instances where customers have advised us the property is now occupied by one person to take advantage of the discount system. There is often little we can do to prove otherwise, however we have investigated where we can and passed appropriate cases to our Fraud Team.

- Customers feel that they are paying for services at their main home and get very little services for a second home or empty property so query why they should have to pay 90% of the charge due.
- To date, no reductions have been granted under Section 13A. These are discretionary, and the whole cost of granting a reduction falls on South Norfolk District Council as the Billing Authority.

#### 4. Relevant Corporate Objectives

- 4.1. Priority 1- Be Business-like and efficient.
- 4.2. Priority 4- Preserve the special character of our market towns and villages.
- 4.3. Priority 6- Innovate and deliver low-cost housing for local people.

#### 5. Other Options

- 5.1. Cabinet can resolve to amend the discount for long-term empty properties to between 0% and 50%.
- 5.2. Cabinet can resolve to amend the discount on second homes to between 10% and 50%.
- 5.3. Cabinet can resolve to alter the arrangements for awarding Section 13A Reductions.

#### 6. Implication – Risk, Financial, Legal, Environmental, Climate Change, Equalities, Biodiversity and Crime Reduction

- 6.1. In conjunction with the Finance Team, we have worked out a rough calculation of the loss of income to the Council by increasing the % discount allowed for long-term empty properties, which would be:

South Norfolk Council Average Band D charge = £127.52, therefore existing 10% discount = £12.75 x 478 properties = £6,095.46	
Same methodology, assuming a 25% discount = £31.88 x 478 properties = £15,238.64	
Again at 40% discount	= £51.01 x 478 properties = £24,381.82

- 6.2. So an increase in the % discount allowed would result in a loss of income to this Council of between £9k and £18k. The Council Tax Base would also be reduced, resulting in an increased Council Tax requirement, however when the new Revenue Support Grant is calculated, the reduced Tax Base would be taken in to account in the grant settlement.

- 6.3. If the Council removed the long-term empty discount, it would increase the Tax Base and would allow the Council to raise additional revenue. This would be offset by a reduction in Revenue Support Grant when next calculated.
- 6.4. Increasing the % discount for long-term empty properties could be seen as an incentive for keeping a property empty.
- 6.5. Allowing the 10% discount gives us a consistent approach to our policies.
- 6.6. We are starting to see an increase in the number of properties that are falling in to the Long-Term empty category. Prior to recent months the figure had been relatively similar over previous years. The % of long-term empty properties in the District is currently around 1%.
- 6.7. The Strategic Housing Team are looking to do some research in the coming year in respect of Empty Homes, and any findings can be fed in to future reviews of the discounts and policy making processes.

## **7. Conclusion**

- 7.1. The existing policy, approved in 2004 has worked well.
- 7.2. Overall, the changes to the percentage discount allowed for second homes and long-term empty properties have been broadly accepted.

It is felt, on balance, prudent to retain the present level of discount for Classes A, B and C (as described in this report) until further review.

APPENDIX A