

CORPORATE OVERVIEW PANEL: 18 NOVEMBER 2004  
CABINET: 1 DECEMBER 2004

## COUNCIL TAX DISCOUNT: POLICY REVIEW UNOCCUPIED FURNISHED PROPERTIES

### 1. INTRODUCTION

- 1.1 Members will probably recall that Local Authorities now have discretionary powers to reduce the council tax discount on
  - Unoccupied furnished properties (often referred to as 'second homes') and
  - Long term empty properties
- 1.2 On 7 December 2003 the Cabinet reduced the council tax discount on all unoccupied furnished properties ('second homes') from 50% to 10%, effective from 1 April 2004. The council tax discount on long term empty properties was not changed and currently remains at 50% of the full charge.
- 1.3 This report gives Members the opportunity to review the discount policy in respect of unoccupied furnished properties ('second homes'), in light of the initial experience, following the change referred to above.
- 1.4 Once the policy has been set by Members discretion cannot be exercised in individual cases no matter how deserving the circumstances may be.
- 1.5 A separate report has been prepared in respect of long-term empty properties.

### 2. BACKGROUND

- 2.1 Second homes can have a significant negative impact on the nature and sustainability of local communities. Being unoccupied for long periods they do little, if anything, to contribute towards the local economy. There is also often an opportunity cost in that a dwelling that would otherwise be available for permanent housing is lost. The discretion now available allows decisions on discounts to reflect local circumstances in a way that helps to address associated problems, especially housing.

### 3. THE LEGISLATION

- 3.1 From December 2003 Billing Authorities have had the discretionary power to change the discount on unoccupied furnished properties, in accordance with certain Regulations.
- 3.2 The Regulations set out two classes of unoccupied furnished properties:

**Class A:** Furnished dwellings that are not the sole or main residence of an individual and the occupation is restricted by a planning condition preventing occupancy for a continuous period of at least 28 days. Purpose built holiday homes or chalets subject to a planning condition restricting year round occupancy fall within this class.

**Class B:** As above but where occupation is not restricted by a planning condition etc.

- 3.3 The Regulations provide that a billing authority may reduce the council tax discount from the nationally set 50% to a minimum 10% in some or all of its area, except where the liable person is required to live in job related accommodation as part of his job.
- 3.4 The Cabinet reduced the council tax discount across the District in respect of Classes A and B to the minimum 10%, effective from 1 April 2004.
- 3.5 Some representations had been received supporting the legislation and the reduction in the council tax discount awarded to second homes.

#### **4. POST BILLING EXPERIENCES**

- 4.1 For illustrative purposes, the council tax bill for a band D unoccupied furnished property in the District property increased from £557.22 in 2003/4 to £1061.51 in 2004/5 (over 90% increase) because of the reduction in discount and the annual increase in bills.
- 4.2 Not surprisingly, there was therefore an adverse reaction from the owners of the properties affected when the 2004/2005 council tax bills arrived. Numerous letters of complaint were received.
- 4.3 There was a substantial adverse reaction to the increased bills from the owners of purpose built holiday chalets subject to a planning condition restricting year round occupancy.
- 4.4 There are a large number of holiday chalets at Naish Estate. The owners of the chalets raised many points in their complaints. Typical comments were as follows:
  - 'Chalets can only be occupied for 8 months of the year but owners are required to pay council tax for the full year'. (This is the legal position)
  - 'The chalets do not benefit from many of the services provided to other properties'.
  - 'These are not second homes. They are wooden seasonal holiday chalets. (which fall in Band A)
  - 'The chalets cannot be made available for local housing'.
  - 'The chalets now pay much more in council tax than the caravans (which are subject to non-domestic rates).'
- 4.5 Council tax collections do not appear to have declined as a result of the owners of unoccupied furnished properties having to pay much higher bills. To date it has not been possible to analyse the collection profile just for the affected properties and it is still only part way through the financial

year. However, the total council tax collections to date compares favourably with the previous year.

- 4.6 The total number of properties registered in our council tax records as unoccupied and furnished has marginally reduced (from 1774 properties to 1749) since the discount was reduced from 50% to 10%. Controls were put in place to ensure that properties were correctly reclassified. There is no evidence of any abuse having taken place.
- 4.7 There was a significant workload arising from the decision to reduce the council tax discount, particularly after the annual billing process, but it has not proved necessary to increase the number of employees.

## **5. FINANCIAL IMPLICATIONS**

- 5.1 Where a Billing Authority reduces the discount on unoccupied furnished properties both the billing authority and the precepting authorities (the County Council, Police, Fire Authorities and Local Councils) benefit from the increase in the tax base. The tax base used in the calculations of the revenue support grant is not increased.
- 5.2 This means that any proceeds raised locally by virtue of a Billing Authority's decision to reduce the discount is shared with the precepting authorities in proportion to their council taxes (and is not off-set by a corresponding reduction in government grant).
- 5.3 Approximately, 85% of any additional income raised passes to the major precepting authorities (County, Police and Fire) because their council taxes account for the major part of the council tax bill. However, any additional administration costs falls on the billing authority. N.B. The cost of administering council tax falls entirely on billing authorities.
- 5.4 For this reason, authorities in Hampshire developed a protocol for the utilisation of the additional income for use on agreed priorities (see 6.1 and 6.2 below).
- 5.5 There are approximately 1750 unoccupied furnished properties in the District that had the discount reduced from 50% to 10%, effective from 1 April 2004.
- 5.6 This reduction in council tax discount will yield nearly £670,000 for the County and District Councils in the current year.
- 5.7 There are approximately 200 Band A holiday chalets in the District where the occupation is restricted by virtue of a Planning condition. If Members restored the council tax discount from 10% to 50% (i.e. to the former level) for dwellings where occupancy is restricted from 1 April 2005, the reduction in income amounts to approximately £44,000 for the County Council and £7,000 for the District Council.
- 5.7 Alternatively, Members may consider that as the chalets can be occupied for eight months of the year, a charge of 70% (i.e. approximately two thirds) and a discount of 30% may be appropriate. The reduction in income would then amount to approximately one-half of the amounts shown in paragraph 5.7 above.

## **6. RESOURCE UTILISATION**

- 6.1 The element of the Council Tax revenue that is retained by the District Council (approx £90,000 in 2004/5) will be utilised to supplement the Council's social housing grant budget and will be spent in accordance with agreed affordable housing priorities.
- 6.2 The principle of using that element that is retained by the County Council (approx. £580,000 in 2004/5) for the provision of affordable key worker housing in the District for County Council staff has been agreed. The details of provision are currently being discussed with the County and Swaythling Housing Society, one of the Council's partner housing associations. The underlying aim is to increase the supply of housing by building new homes. However, due to long lead in times for new development, the prospect of providing assistance to allow key workers to purchase existing dwellings is being considered for 2004/5. The opportunity to use resources to provide renovation grants or loans to bring empty properties back into use for the same client group is also being investigated.

## **7. CONSULTATIONS**

- 7.1 Town and Parish Councils have been informed of the discretions available to the District Council and asked if they wish to express any views on the subject. Five responses have been received. The general view from the local councils that responded is that the discounts should be reduced to the lowest levels possible.

## **8. CORPORATE OVERVIEW PANEL RECOMMENDATIONS**

- 8.1 At the Corporate Overview Panel on 18 November 2004, Members decided to recommend to Cabinet that a Council Tax discount of 10% should apply to Class A and Class B properties

## **9. PORTFOLIO HOLDER COMMENTS**

- 9.1 Planning constraints preclude the owners of holiday chalets at Naish Estate from using them throughout the year. As use is restricted to approximately 70% of a year I support the recommendations of this report.
- 9.2 With regard to all unoccupied Class B properties I recommend the discount of 10% remain unaltered.

## **10. CONCLUSIONS**

- 10.1 Unoccupied furnished properties contribute little, if anything, to the District. The reduction in the discount on Council Tax for unoccupied furnished properties raises approximately £670,000 to be spent on providing additional affordable housing, one of the Council's key corporate priorities. These additional resources are particularly welcome at a time when other resources for affordable housing are vulnerable.

- 10.2 In the case of Class A properties - dwellings that are not the sole or main residence of an individual and the occupation is restricted by a planning condition preventing occupancy for a continuous period of at least 28 days, (purpose built holiday homes or chalets subject to a planning condition restricting year round occupancy fall within this class). Members may consider that there are grounds to restore the council tax discount to the 50% that previously applied or to set a discount rate of 30%.

## 11. RECOMMENDATIONS

It is recommended that the rate of council tax discount to be applied to unoccupied furnished properties in the District from 1 April 2005 shall be as follows:

<b>Class A:</b> Furnished dwellings that are not the sole or main residence of an individual and the occupation is restricted by a planning condition preventing occupancy for a continuous period of at least 28 days. (Purpose built holiday homes or chalets subject to a planning condition restricting year round occupancy fall within this class.)	30% discount
<b>Class B:</b> As above but where occupation is not restricted by a planning condition etc.	10% discount

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### Background Papers:

Part 6 of the Local Government Act  
2003, subsequent Government  
Regulations and Information Letters

Report to Cabinet dated 7 January 2004