

**WIRRAL COUNCIL
CABINET
8 DECEMBER 2011**

SUBJECT:	COUNCIL TAX DISCOUNTS
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR STEVE FOULKES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report reviews Council Tax charges for Second Homes, Long Term Empty Properties and the annual option for the Council to set locally defined discount schemes.

2.0 RECOMMENDATION

2.1 That Members decide if any amendments to current discounts or new discounts are required.

3.0 REASON FOR RECOMMENDATION

3.1 Councils can reduce the Council Tax paid by using locally defined discounts; they can also reduce discounts in relation to Second Homes and Long Term Empty Properties. The cost of locally defined discounts is met by the Council. The amendment or removal of Long Term Empty discounts (Class C) produces a windfall for one year, and then the change is reflected in the following year's tax base figure and is of no direct financial advantage to the Council.

4.0 BACKGROUND AND KEY ISSUES

4.1 Second Homes

4.1.1 Second Homes are properties that are not a "sole or main" residence. They are usually furnished and because of that attract a 50% charge to cover the property element of Council Tax. However as they are not a sole or main residence there is no personal charge to pay, and the bill is therefore 50% of a fully occupied property. This category also covers furnished property let by landlords.

- 4.1.2 The Government has acknowledged that in some holiday areas it is becoming impossible for local people to purchase properties locally. Furthermore out of season the holiday areas are unable to sustain such basic amenities as village shops and Post Offices. The Government has attempted to redress the balance by allowing Councils to reduce the discounts on second homes from 50% to as little as 10%.
- 4.1.3 The only people excluded from any change are people who live elsewhere and are liable to pay Council Tax on a property owned by an employer, i.e. tied accommodation.
- 4.1.4 Wirral agreed to reduce the discount from 50% to 25% from April 2008. 25% was recommended as this was the figure that would represent the Council Tax payable if one resident resided and so stop claims that the property ceased to be a Second Home and had become occupied. This change raised some negative comment from landlords of furnished properties.
- 4.1.5 There are currently 767 properties in receipt of Second Homes discount which is currently at 25%. This is a 19% increase in Second Homes from the previous year. Wirral could reduce the discount further by a maximum of 15%, leaving a 10% discount reduction. This would raise an additional maximum of £125,000. Increasing to this level is beyond that of a property occupied by a single person and would inevitably lead to claims that the property, as happened with the full removal of Long Term discounts, is occupied by a single person and a claim for 25% discount is made. The 19% increase in Second Homes, compared to the 4% in the previous year is as a consequence of removal of the 50% Long Term Empty discount as taxpayers see the advantages of re-classifying the property as a Second Home and claiming a 25% discount.
- 4.1.6 A decision is required as to whether this discount should continue to be awarded for 2012-2013.
- 4.1.7 If the Council amends the provision a notice is required to be published 21 days after the determination and any amendment would come into force on 1 April 2012.

4.2 Long Term Empty Homes

- 4.2.1 The Government aim is to help Local Authorities bring long-term empty homes into occupation, by encouraging owners to sell or let the properties faster than at present.

- 4.2.2 Long-term empty homes are defined as properties that have been empty for more than six months. For the first six months, providing the property remains substantially unfurnished, the charge payer is free from paying Council Tax. Thereafter a charge of 50% applies until a property is reoccupied. This is known as Class C exemption.
- 4.2.3 Long-term empty properties quite often require major structural work or substantial repairs to make them habitable. Those properties, providing they satisfy the criteria, can be exempt from Council Tax for up to 12 months. This is known as Class A exemption. After 12 months they attract a charge of 50%.
- 4.2.4 Legislation allows the Authority to charge up to the full level of Council Tax for Class C after 6 months and after 12 months for Class A. For 2011-12 Wirral decided to remove the 50% discount and charge 100%. This left the Council with a one off windfall of an additional £1.6 million Council Tax raised.
- 4.2.5 The number of Long Term properties which over the last few years had remained around 3,000 reduced to 2,576 for Council Tax purposes. This is mirrored in the increase in Second Homes mentioned earlier and an increase in occupation of these properties by Single Persons thus reducing the 100% liability by 25%. There were a significant number of complaints and negative comments about this change, as had been anticipated given the increase in the liability.
- 4.2.6 Wirral Council has been addressing the growing problem of empty properties in the Borough since 2005 when the first Empty Property Strategy "Tackling and Preventing Dereliction in Wirral" was approved; this led to the establishment of a specific Empty Property Team in 2006 who report to the Director of Regeneration, Housing & Planning.
- 4.2.7. Today the lack of finance in the housing market has resulted in more empty properties as sales turnover slows and money to finance redevelopment is difficult to secure. At the same time, a requirement to increase the supply of affordable housing is paramount for the Borough. Addressing Empty Properties continues to be a key corporate objective and a priority for the Housing Strategy 2011-2026 which was ratified by Cabinet on 23 June 2011. The strategy acknowledges that dealing with the significant number of empty properties in Wirral is a complex issue that requires a long term strategic approach using a range of powers, close working relationships within the Council and effective partnership working with property owners and external stakeholders.

4.2.8. Many long term vacant properties (empty for six months or more) could, with a level of intervention, be used as a valuable asset to help the Borough meet its housing need. It is also recognised that the blight caused by empty properties can affect the sustainability of nearby houses in all neighbourhoods of the Borough because they can often act as a magnet for vandalism and anti-social behaviour as well as having a detrimental affect on the local housing market.

4.2.9. As well as implementing a range of initiatives, the Empty Property Team is looking at ways to discourage owners from keeping properties empty and the discount proposals with regard second homes and long term empty properties support that aim.

4.2.10 Strategically the removal of the 50% discount and the subsequent application of a 100% charge applied to Long Term Vacant properties in the Borough is assisting in achieving the following success:-

- Ensuring owners pay more Council Tax on their empty properties after the 6 months exemption. This success can be measured through evidence gathered by the Empty Property Officer who has reported an increase in owners of Long Term Vacant Properties coming forward to access the Empty Property Grant, assistance with disposal, and seeking advice on attaining Accreditation through the Property Accreditation Scheme to facilitate access to tenants on the Wirralhomes waiting list. The reasons given by these empty property owners include the increase in Council Tax to 100% having “pushed them into doing something with their properties”.
- Reducing long term vacant property numbers across the Borough. There is some evidence provided by Council Tax figures that suggests that Long Term Vacant property numbers are already reducing, however a prescribed 12 month comparison calculation will be undertaken by the Empty Property Team which will be available in April 2012. Any reduction in long term vacant properties may be reflected in an increased New Homes Bonus allocation for the Authority
- Reducing the overall expenditure and resources needed by other Council departments such as Regeneration, Housing and Planning, Technical Services and Law, HR and Asset Management Services to repeatedly deal with empty properties and their consequential negative effects through out the Borough.
- Sending out the message to owners of vacant properties that Wirral Council does not support this activity.

4.2.11 The level of charges in 2011/12 has helped the position on long term empties but ongoing work is needed to ensure all empty properties face the full charge. Officers will look at options to address this.

4.2.12 If the Council amends the provision a notice is required to be published 21 days after the determination and any amendment would come into force on 1 April 2012.

4.2.13 A decision is required as to whether these discounts should be amended for 2012-2013.

4.3 Local Discounts

4.3.1 Councils can reduce the Council Tax paid by using locally defined discounts. The discount granted can be anything up to 100%. The main driving force behind the introduction of these discounts was to allow Councils to react to local circumstances such as flooding or other natural disasters.

4.3.2 Regulations do not require the discount to be published in advance and attempting to pre-determine classes of exemption could prove difficult. A discount could be granted to an individual in case of extreme hardship. A discount could also be granted to all empty properties within a specific area, such as a clearance area.

4.3.3 The option to determine individual cases as and when they arise gives more flexibility to the Council and does not require predetermination.

4.3.4 The Council has to fund any locally defined discounts.

4.3.5 Cabinet on 22 July 2004 awarded a local discount to Wirral Women's and Children's Aid. The discount has been confirmed annually to date at 50% for the refuge and 75% for both flats, leaving no Council Tax to pay, on the basis of the valuable work undertaken at the premises. The circumstances have remained unaltered and the cost of the award is £3,416.48.

4.3.6 If the Council amends the provision a notice is required to be published 21 days after the determination and any amendment would come into force on 1 April 2012. A decision is required as to whether this discount should continue to be awarded for 2012/13.

5.0 RELEVANT RISKS

5.1 Whilst not publishing the award notices 21 days before the tax year will not negate the billing exercise for 2012/13, the Council's reputation could be damaged. Failure to agree discounts in a timely manner could result in late billing which inevitably affects cash flow and collection performance.

6.0 OTHER OPTIONS CONSIDERED

6.1 None

7.0 CONSULTATION

7.1 None.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 None.

9.0 RESOURCE IMPLICATIONS, FINANCIAL; IT; STAFFING AND ASSETS

9.1 There is a potential to raise an additional £125,000 by reducing the discount on Second Homes to 10%.

9.2 If the Local Discount for the Women & Childrens Aid is retained then the cost to the Council will be £3,416.48.

10.0 LEGAL IMPLICATIONS

10.1 There is a requirement that any amendments are published after the Budget Setting Council and 21 days before the start of the financial year.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising from this report.

11.2 An Equality Impact Assessment is not required.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising from this report.

FNCE/269/11

REPORT AUTHOR:

Neil Powell

Revenues Manager

Telephone: (0151 666 3505)

email: neilpowell@wirral.gov.uk

APPENDICES

None

REFERENCE MATERIAL

Local Government Finance Act 1992

Local Government Act 2003 Sections 11a and 13a

Council Tax Information Letters 6/2003 and 7/2003.

SUBJECT HISTORY THE LAST 3 YEARS

Council Meeting	Date
Cabinet	3 February 2011
Cabinet	9 December 2010
Cabinet	9 December 2009
Cabinet	10 December 2008