

REPORT TO: POLICY AND RESOURCES COMMITTEE - 13 DECEMBER 2010
REPORT ON: COUNCIL TAX DISCOUNT ON UNOCCUPIED PROPERTY
REPORT BY: DIRECTOR OF FINANCE
REPORT NO: 721-2010

1.0 PURPOSE OF REPORT

To request the Committee's approval to reduce the percentage of Council Tax discount available for Second Home and Long Term Empty properties from 50% to 10%.

2.0 RECOMMENDATION

- 2.1 That the Committee agrees to modify the level of Council Tax discount from 50% to 10% on Second Home and Long Term Empty properties for all parts of the area with effect from 1 April 2011.
- 2.2 Remit the Director of Housing to develop budget proposals for investment in new council house building, acquisition of sites for affordable housing or to bring back empty properties into housing use going forward from 2012/13 dependant upon actual revenues raised in 2011/12

3.0 FINANCIAL IMPLICATIONS

The potential additional annual income which will be generated by this change is estimated to be £425,617, assuming a final collection rate of 92.5% for these properties. A lower collection rate has been assumed as it can be difficult to collect monies due for unoccupied properties. The annual income may decrease over time as homeowners take action to sell or rent these properties to avoid the additional Council Tax liability.

4.0 BACKGROUND

- 4.1 Regulations which came into force on 1 April 2005 gave local authorities the discretion to modify the discount available on second home and long term empty properties to a level of between 10% and 50%, where previously a mandatory discount of 50% applied. The council can choose to set a different percentage of discount for second homes and long term empties and for different parts of their area.
- 4.2 Under guidance at that time any additional income received as a result of a reduced discount had to be routed via Registered Social Landlords (RSL's) for the provision of new build affordable social housing, to meet locally determined priorities.

- 4.3 Key changes to the guidance on the permitted use of additional income were made in February 2009 and local authorities are now permitted to use income raised by reduced discounts whilst also retaining the option to transfer resources to RSL's. This additional income can now be used to support new council house building, bring back empty properties into housing use and for acquisition of land for affordable housing.
- 4.4 The number of long term empty and second home properties and the potential additional revenue from a reduced amount of discount has recently been reviewed with the following results.

	<u>DCC/RSL properties</u>	<u>Estimated Additional Income</u>	<u>Non DCC/RSL properties</u>	<u>Estimated Additional Income</u>	<u>Total Number of Properties</u>	<u>Total Potential Income</u>
Long term empties*	74	£25,997	264	£111,143	338	£137,140
Second Homes**	183	£60,711	610	£262,276	793	£322,987
Total	257	£86,708	874	£373,419	1131	£460,127

* A long term empty dwelling is a property that has been unoccupied and unfurnished for more than twelve months. An empty dwelling will continue to receive an exemption for the first 6 months it is empty followed by a 50% discount for a further 6 months.

**A second home is a dwelling which is no one's sole or main residence but is furnished. At present Dundee City Council's homeless properties fall under the second home category as they are deemed to be no one's sole or main residence and the Council presently pay the 50% charge on these properties.

- 4.5 It is proposed that the Committee agrees to modify the discount on second homes and long term empties for all areas with effect from 1 April 2011.
- 4.6 The level of central government grant will not be reduced as a result of reducing the level of discount. Second Homes and Long Term Empty properties will continue to be counted as half a dwelling for the Council tax Base and Revenue Support Grant calculation purposes.
- 4.7 The four strategic objectives contained within the Local Housing Strategy are: to secure warm, dry homes to the "Dundee Standard" which meet individual needs at a reasonable cost, regenerate unpopular areas, assist people with a housing need and enable well maintained and managed environments. Meeting the Scottish Housing Quality Standard (SHQS) by 2015 is key priority for the Housing Department and the level of prudential borrowing required places severe pressure on the Housing Revenue Account and annual rent increases. This pressure is made more acute by the credit crunch reducing land values and potential for capital receipts in the short term. The affordable housing investment programme has reduced by £4.5M over the past three years and given expenditure constraints it is unlikely that annual allocations will increase.

The Council is delivering a limited new build programme but its ability to do so is constrained by the HRA.

Therefore, dependant upon the additional revenue raised, this will create potential opportunities for the provision of new build council housing, acquiring land for affordable housing or to bring back empty homes into housing use.

- 4.8 It should be noted that only additional monies actually collected can be used to fund housing projects. Therefore the additional revenue for 2011/12 will not be known until the end of the financial year 2011/12.
- 4.9 The effect of this reduced discount will mean that Council Tax payers will have to pay, based on this years level of Council Tax, an additional annual amount of between £322.93 and £968.80(depending on banding of property), for each long term empty or second home property

5 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty and Equality Impact Assessment.

There are no major issues.

An Equality Impact Assessment has been carried out and will be made available on the Council website <http://dundeecity.gov.uk/equanddiv/equimpact/>

6 CONSULTATIONS

The Chief Executive, Depute Chief Executive (Support Services) and the Director of Housing have been consulted in the preparation of this report.

7 BACKGROUND PAPERS

The Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations 2005

Amended Guidance on Local Authority Discretion to Reduce Council Tax Discount on Second Homes and Long Term Empty Properties 5 February 2009

Equality Impact Assessment

**M STEWART
DIRECTOR OF FINANCE**

2 DECEMBER 2010