

**Report to:** Cabinet

**Date:** 2 October 2008

**Subject:** Council Tax - Review of Discounts Long Term Empty Properties

**Report of:** Executive Director – Business Support Services

**Contact officer:** Alan Cartwright 01942 828612

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**Purpose / summary:** To review the discount on Long Term Empty Homes from financial year beginning 2009/10.

**Alternative options considered and reason for selecting the one recommended:** To reduce, or remove completely, discount on Long Term Empty Homes from standard 50%.  
To leave discount unchanged at standard 50%.

**Recommendation / decision:** That discount remains unchanged at standard 50%.

**Key Decision:** This report does not involve a key decision. The decision made as a result of this report will be published within **48 hours** and cannot be actioned until **seven working days** have elapsed, i.e. before 14 October 2008

**Risks / Implications:**

Financial: If discount on long Term Empty Homes reduced or removed completely then nil income as is revenue neutral through Formula Grant – however would give rise to additional charges to Council and HRA.

Staffing: None

Policy: N/A

Equal Opportunities - Has a Diversity Impact Assessment been conducted? N/A

Wards affected: All

**Property Implications – Does the proposal involve a reduction, addition or change to the Council’s asset base or its occupation?**

No

**If yes, have the property implications been agreed with the Corporate Property Officer?**

**Does this proposal have significant implications for the Council and the local population?**

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

**Does this proposal involve a new policy or procedure or significant changes to an existing policy or procedure?**

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

Has the Service Director - Borough Solicitor confirmed that the recommendations within this report are lawful and comply with the Council’s Constitution? **Yes / No \***

Has the Service Director - Corporate Services confirmed that any expenditure referred to within this report is consistent with the Council’s budget? **Yes / No \***

Are any of the recommendations within this report contrary to the Policy Framework of the Council? **Yes / No \***

\* delete which applicable

**For Cabinet reports only :**

Categorisation of the report:	<b>x</b>
Discussion leading to a decision	
Monitoring	
Sharing for corporate understanding	

	<b>x</b>
Discussion	
Decision	<b>x</b>
Information	

**Tracking/Process:**

	Consultation	Ward Members	Partners
Panel	Overview & Scrutiny	Cabinet	Council
		2 October 2008	

List of Background Papers in accordance with Section 100D of the Local Government Act 1972:

Title of document	Which meeting did it go to?	Date of meeting	Copy available from?
Local Government Finance Act 2003			Council Tax Offices

Proper Officer David J Smith

Date 17 September 2008

## 1 **Background:**

- 1.1 The Local Government Finance Act 2003 introduced a change in the Council Tax legislation enabling discounts granted to Second Homes and Long Term Empty Homes to be varied at local discretion.
- 1.2 Cabinet reviewed the levels of discounts on 20 October 2005 and resolved to reduce the discount applicable to Second Homes from 50% to 10% commencing from financial year 2006/07, and to leave the discount applicable to Long Term Empty Homes at the standard 50%.

## 2 **Proposals:**

- 2.1 Long Term Empty Homes are defined for this purpose as properties which are not exempt from Council Tax and which are unoccupied and substantially unfurnished. Properties fitting this description benefit from a standard 6 month exemption from when first becoming unoccupied and so will not become "Long Term Empty" until this exempt period has ended. In the case of newly built or altered properties, "Long Term Empty" would apply 6 months after the completion date contained in the "Completion Notice" served by the Council Tax Section.
- 2.2 The regulations permit local authorities to reduce, or remove completely, the current discount of 50%.
- 2.3 If a different level of discount is determined, or removed completely, by an authority then, and as with Second Homes, this affects the calculation of its Council Tax Taxbase. However, unlike Second Homes, the additional taxbase resulting from this change is taken into account when Government determines Formula Grant and the effect is revenue neutral.
- 2.4 Where an authority therefore decides to reduce, or remove completely, the discount on Long Term Empty Homes no additional income is gained by it.
- 2.5 The main advantage to reducing, or removing completely, discount on "Long Term Empty Properties" would be to try to discourage owners and developers from leaving property unoccupied for long periods of time and therefore preventing the impact these properties can have on local communities and house prices for neighbouring properties.
- 2.6 Across Greater Manchester Authorities, only Trafford Council removed discount (from 2004/05) across all wards of its borough, and Oldham Council has removed discount from 1 April 2008. Manchester City Council initially removed discount across 3 wards only but this has since been rescinded and the standard 50% discount now applies across the whole council.

Early indications suggest this position is unlikely to change for 2009/10.

Nationally, data provided by Communities and Local Government 12 months ago suggests less than half of all authorities have removed, or reduced, discount on Long Term Empty Homes.

- 2.7 Levels of long term private sector empty properties in the Borough have increased over the last few years, and at a rate faster than most other Councils in the same period.

Comparison of data at October 2007 in respect of numbers of short term / long term empty homes in GM Authorities shows :

Council	Short Term Empty	Long Term Empty	Total Empty Homes	Total Dwellings	% Long Term Empty
Manchester	3,610	11,224	14,834	210,682	5.33%
Salford	2,896	3,328	6,224	104,317	3.19%
Bolton	2,938	3,075	6,013	118,321	2.60%
Oldham	2,756	2,288	5,044	93,597	2.44%
Tameside	2,080	2,259	4,339	97,276	2.32%
Rochdale	1,811	1,764	3,575	89,763	1.97%
Bury	1,404	1,460	2,864	80,407	1.82%
Wigan	2,864	2,150	5,014	136,548	1.57%
Trafford	1,727	1,340	3,067	95,411	1.40%
Stockport	2,188	1,358	3,546	124,636	1.09%

- 2.8 The minimisation of vacant homes is now becoming central in the Government's approach to housing – this being related to the well publicised shortage of dwellings and the resultant effect of encouraging anti-social behaviour, vandalism and reducing peoples' wellbeing. This concern is reflected in the new Housing Inspectorate KLOEs for strategic housing and the new draft guidance for Future Housing Strategies.
- 2.9 The Council is currently developing a wide ranging strategy to reduce numbers of long term empties. This proposes to restructure Housing Regeneration to create a small team to lead on enforcement action and to advise residents on available options, bids are also being submitted in liaison with Registered Social Landlords to buy up vacant homes and various initiatives to encourage landlords to bring property back into use are being developed.
- 2.10 The Local Government Act 2003 contained other legislation to assist this process by permitting information held in the Council Tax database about owners of Long Term Empty Homes to be provided to other Council departments for the purpose of bringing these properties back into use. This is already fully utilised and already helps in reducing the scale of the problem. The introduction of the reduction of discount was also designed to assist in bringing empty properties back into use.

It is not known whether the complete removal of discounts for long term empties has resulted in more properties being brought back in to use. Trafford has provided information that shows that their number of long term empties dropped slightly in the year that they first removed the discount but has risen again to the level prior to the discount removal. No analysis of their long term empty properties is available and so it is not possible to determine whether the same properties remain empty or whether they have been brought back in to use but other properties have fallen empty in the mean time. Their initial drop in long term empties could be explained

because a number of landlords claimed single occupancy and an entitlement to a 25% discount rather than lose the discount altogether. The subsequent rise in the number of long term empties back to the original level could be a sign of the problems landlords are having with letting or selling properties in the current economic climate.

- 2.11 A snapshot of the Council Tax database shows there are currently just under 2,500 Long Term Empty properties spread across the various bands. The annual value (at 2008/09 Council Tax levels) of the current 50% discount amounts to almost £1.3m over the full financial year.

### **3 Implications of Changing Discount:**

- 3.1 When Second Home discount was reduced to 10% from April 2006, early days resulted in considerable telephone calls and letters of complaint.
- 3.2 Whilst no major problems were experienced, some taxpayers did change their behaviour in response to the additional charges. For example, it appears that some owners of Second Homes subsequent to the introduction of the extra tax informed us that the property was someone's place of residence and as such claimed 1 person lived there and therefore that the standard Single Person Discount of 25% should apply. It is difficult for councils to counter argue such claims and without valid evidence to defend the case would have difficulty in succeeding at Valuation Tribunal should the taxpayer opt to take this route of appeal, although noting that the definition of "empty" means "substantially unfurnished".
- 3.3 If discount is removed completely then, as mentioned above (2.11), and at current council tax levels, this would add approximately £1.3m to the collectable debit which, inevitably, would result in a reduction in the local Performance Indicator measuring the percentage collected at the end of the financial year. In 2007/08, 96.7% was collected at 31 March 2008. Had the discount on Long Term Empty Homes been removed for that financial year, the additional debit collectible (app. £1.1m) would have equated to just over 1% - it is difficult to estimate how much of this would have been paid during the financial year and therefore the reduction in the PI.
- 3.4 More critical perhaps is the current situation with regard to the lack of movement in house sales and therefore inability to sell empty homes, coupled with peoples' financial difficulties through the "credit crunch" to pay increased bills and prospects for rising unemployment.
- 3.5 Whilst the aim of the measure might be to tackle "buy to leave" landlords, its impact will apply to all empty properties.

A snapshot of the data shows the current spread of Long Term Empty Homes are distributed throughout the whole of the Borough as indicated in the following table:

Ward	Number of Long Term Empty Properties
Abram	168
Ashton	66
Aspull, New Springs, Whelley	79
Astley Mosley Common	79
Atherleigh	83
Atherton	109
Bryn	57
Douglas	230
Golborne and Lowton West	118
Hindley	111
Hindley Green	58
Ince	111
Leigh East	135
Leigh South	106
Leigh West	154
Lowton East	63
Orrell	54
Pemberton	70
Shevington with Lower Ground	47
Standish with Langtree	76
Tyldesley	133
Wigan Central	173
Wigan West	108
Winstanley	28
Worsley Mesnes	72

- 3.6 The Comprehensive Spending Review 2007, which set out proposed Formula Grant Settlements for the 3 financial years 2008/09 to 2010/11, has projected taxbases in respect of these 3 financial years for all councils which are planned to be used to determine grant distribution. These projected taxbases are snap-shot figures at a point in time and are not therefore the same as Council's set Taxbases which take into account, amongst other matters, growth through new developments during the relevant financial year and an assumed Collection Rate (99% used at Wigan).

For Wigan the taxbases projected at the mid-point of each year, October, are:

2008	96,381.3
2009	97,163.5
2010	97,952.0

The Government methodology for determining these projections is based around historic growth.

As the 3 year settlement is planning to use projected taxbases, rather than obtaining accurate fresh taxbases for each relevant financial year, to determine grant distribution, then there is short-term financial gain to the Authority by reducing, or removing completely, the discount on Long Term Empty Homes - but only until the taxbase data used for future settlements resynchronises with councils' actual positions.

Over the 2 years 2009/10 and 2010/11, this could, potentially, raise approximately £2.6m in additional collectible debit.

However clearly not all of this would be collected, and any shortfall would need to be stood by the Council's Council Taxpayers when calculating the Collection Fund position, the Council's Budget, and therefore setting of the amounts of Council Tax for the following year.

#### **4 System Development:**

- 4.1 Considerable system changes and data cleansing were necessary to implement reduction of discount on Second Homes in readiness for April 2006. Although development was not done at that time in respect of any potential change to the discount applicable to Long Term Empty properties, an early assessment of development shows that less work would be required, and which would be similar to that done for Second Homes.
- 4.2 My Revenues staff are in the initial stages of procuring replacement systems for both Council Tax and Benefit systems - intending to be implemented live for 2010. New systems automatically include the facility to change discounts on Second Homes and/or Long Term Empty Homes.

#### **5 Conclusions:**

- 5.1 There is sufficient timescale and capacity to develop the Council Tax system with in-house resources in time for 2009/10 annual billing next March. Noting that a reduction, or removal, of discount on Long Term Empty Homes will incur additional liability on the Council, HRA and various Housing Associations, Cabinet is asked to decide:

Whether to change, or remove completely, the discount on Long Term Empty Homes from the standard 50% and, if so, which parts of the Borough this should be applied to and to determine what level of discount, if any, is appropriate.

- 5.2 Monitoring of the empty homes situation will continue and it is recommended that a further report be presented to Cabinet next year.

## Diversity Impact Assessment form

Section: Revenues

Policy/Service Area: Business Support Services

Person Completing Form: Alan Cartwright

Date: 16/09/08

Do any of the below groups suffer specific disadvantage (please indicate)

	Yes	No		Yes	No
Race		No	Disability		No
Ethnicity		No	Gender		No
Age		No	Religion		No
Class		No	Sexual Orientation		No

Is there evidence of disadvantage or associated problems?

No

How was the information collected and/or who have you consulted with?

N/A

Action Plan – *What specific actions are planned to tackle any disadvantage identified?*

N/A

Is the policy in line with current equality legislation and relevant codes of practice?

Yes

Timescale	Will affect Council Taxes charged from 1 April 2009 onwards.
Responsibility	Alan Cartwright
Comments	

**Are the actions specified included in any other documents/plans?**

Departmental Service Plan	No
Section/Team Plan	No
Other (Specify)	No

Date for further review: can only be reviewed annually and prior to commencement of financial year.

