

**COUNCIL TAX ON EMPTY PROPERTIES- USE OF ADDITIONAL INCOME**

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**1 SUMMARY**

- 1.1 The Council agreed to allocate funding from additional council tax on empty properties to Area Committees on 8 August 2013. This report proposes the income is allocated in arrears once actual levels of income are known.

**2 RECOMMENDATIONS**

- 2.1 The Council agrees to allocate income from increased council tax on empty properties to Area Committees in arrears based on income collected with the first allocation of income collected in 2014-15 being allocated in 2015-16.

**3 DETAIL**

- 3.1 The Council considered a report at its meeting on 8 August 2013 whereby it was proposed to double council tax on empty properties. The additional income arising from this was to be allocated to Area Committees. The report presented to the Council on 8 August 2013 estimated income to be in the range of £0.7m to £1.55m. The latest estimate suggests income might be as low as £0.6m and there is a degree of uncertainty about this.
- 3.2 Increasing the level of council tax on empty properties is effectively a new tax. It is likely that people will take action to avoid the new tax.
- 3.3 The report on council tax on empty properties by Customer Services sets out a range of exemptions and reliefs from the increase in council tax that the Council should consider. These will have the effect of reducing the income received by the Council.
- 3.4 There is no track record in relation to payment of double council tax on empty properties. It may be that in some cases the properties are empty because the owners are unable to finance upgrading the property in which case it is likely they will struggle to pay the increased council tax.
- 3.5 Currently between 95% to 96% of council tax is collected in the year it is billed. This does eventually rise to around 97.5%. It remains to be seen if the same collection rate is achieved on the increased council tax on empty properties but it needs to be borne in mind that the full amount billed is not collected in year 1. There is a degree of uncertainty on the amount of increased council tax on empty properties that will be collected in year 1.
- 3.6 Whilst there is a degree of financial stability over the next 2 years it is essential the Council does not make spending commitments it does not

have funding to cover. If the Council over commits allocation of these funds then the shortfall will fall as a cost on the general fund and may impact on services.

- 3.7 Given the uncertainty around the level of income arising from this and the risk of over committing expenditure it is proposed that income is allocated in arrears. The income arising from the increased council tax on empty properties will still be allocated to area committees but the allocation will take place in arrears. The income collected in 2014-15 will be allocated to area committees for spending in 2015-16. The approach still allocates funding to area committees and protects the Council in terms of avoiding over commitment given the uncertainty around level of income.
- 3.8 It will still be important to provide some guidance to area committees on the use of these funds and this will be brought forward for consideration in early 2015.
- 3.9 There is already an existing commitment of £150,000 in relation to Cross Street / Main Street, Campbelltown and this will be the first commitment on any income for MAKI area. The Council agreed this at its meeting on 31 October 2013. This cost will be met as it arises with any balance of funds for MAKI allocated as per the terms of this report and any shortfall carried forward to future years.

## **4 CONCLUSION**

- 4.1 Allocating the income to Area Committees in arrears based on actual income collected will protect the Council against the risk of over committing the income given the uncertainty around the actual level of income from the increased council tax on empty properties.

## **5 IMPLICATIONS**

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| 5.1 | Policy -           | Still retains principle of allocating income to Area Committees                  |
| 5.2 | Legal -            | None   |
| 5.3 | Financial –        | Allocating income to Area Committees in arrears reduces risk of over commitment. |
| 5.4 | HR -               | None   |
| 5.5 | Equalities -       | None   |
| 5.6 | Customer Service - | None   |
| 5.7 | Risk -             | None   |

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