1. SUMMARY

1.1 At the Council meeting of 27 October, it was agreed to reduce the discount for certain unoccupied dwellings to 10% where the Council is permitted by statute to reduce this from the prescribed level of 50% and that this reduction be applied throughout the whole of Argyll and Bute. It was also agreed to defer consideration of the classes of unoccupied dwellings this should apply to until the Council meeting of 24 November, and also to defer consideration of the process for assessing proposals for utilisation of the additional income from the reduction of the discount to the same meeting.

1.2 A revised draft of the regulations was obtained on 4 November and it is expected that the final regulations will be published in the near future and will largely mirror the provisions in the draft. The regulations are scheduled to be laid before the end of November.

2. RECOMMENDATIONS

2.1 That the reduction in discount from 50% to 10% should be applied to empty dwellings.

2.2 That the reduction in discount from 50% to 10% should be applied to dwellings that are second homes.

2.3 That the Strategic Policy Committee in due course considers proposals from the Director of Community Services for utilisation of the additional income from the reduction following discussions with Communities Scotland and/or Registered Social Landlords.

3. DETAIL

3.1 The Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations 2004 have been published in draft form. The draft regulations allow local authorities to modify the 50% discount to council tax applicable if there is no resident in the dwelling, to an amount between 10% and 50%. Council has already agreed to modify this 50% discount to 10% for certain unoccupied dwelling and that this reduction be applied throughout the whole of Argyll and Bute. This modification may apply to two classes of dwellings: (1) empty dwellings; and (2) dwellings that are second homes.

3.2 Whilst the final regulations have not been laid, it is unlikely that the two classes of dwellings that the modification of the discount may be applied to will change.
**Empty Dwellings**

3.3 An “Empty dwelling” is defined as “a dwelling which is both unoccupied and unfurnished”. These properties receive up to 6 months full exemption from council tax from the end of the last period of 6 weeks or more that it was continually occupied or furnished. The new regulations provide for them to get the full 50% discount for up to a further 6 months, so it is effectively only after 12 months of inoccupation that the discount can be reduced. It is proposed to utilise the new powers to modify the discount to 10% for these dwellings.

**Second homes**

3.4 The definition of a second home in the latest draft regulations is “a dwelling which is no-one’s sole or main residence and is not an empty dwelling”. The earlier draft defined it as “a dwelling in which the occupier resides at times but not as that occupier’s sole or main residence”. It is possible that the definition is not yet finalised. It is clear that the intention is to include all those properties which we commonly consider to be second homes. However the latest definition would also include all furnished properties which are between tenancies, and where the landlord has never resided or used the property as a second home. The Scottish Executive has been advised of this implication.

3.5 If the drafting remains unchanged there will be even more of an incentive to landlords to remove furniture from properties, and either put it into storage, or in future switch to unfurnished lets.

3.6 It is proposed to modify the discount to 10% for second homes as defined in the final regulations. The reduction of the discount would be immediately applicable from the first day of inoccupation. These furnished, unoccupied properties would be charged 90% council tax throughout the period of inoccupation.

**Categories exempted from reduction of the discount**

3.7 The draft Schedule to these regulations specifies certain classes of dwellings to which the modification of the discount may not apply. These include purpose built holiday homes which are not allowed or are unfit to be used for human habitation throughout the year, properties owned by those living in a job related dwelling (e.g. a minister of religion living in a manse), job-related dwellings occupied for some of the time by persons whose main residence is elsewhere, dwellings under repair for a six month period from date of purchase, and unoccupied and unfurnished dwellings for six months after a period of full exemption.

**Need for decision now**

3.8 It is possible that the definitions of the classes of dwelling in the draft regulations may change. However approval is sought now in respect of the two classes, in order to give the maximum notice to council tax payers who are likely to be affected by these changes. This will give them the opportunity to consider if they could be exempt from the reduction in discount, and to apply for such exemption, and for these applications to be processed prior to commencing the annual council tax billing process on 10 February 2005. It had been hoped to delay this decision on the classes to which the reduction should apply until the final regulations were laid, but there is no meeting of Council scheduled for December.
Use of additional revenue

3.9 Scottish Ministers have advised that the additional income from reducing the discount will be retained locally and routed through Registered Social Landlords (RSLs) for the provision of new-build affordable social housing to meet locally-determined priorities. Local authorities may decide to use the extra revenue to fund discrete RSL projects; and/or top up existing Communities Scotland funding for RSL projects; and/or transfer resources to Communities Scotland to provide additional funding for eligible RSL projects within their area. However these provisions are not dealt with in the draft regulations.

3.10 Initially the reduction in discount will increase income from council tax. However, it will also increase our council tax base which will reduce income from Aggregate External Finance (AEF). It is expected that a return will be required to the Scottish Executive identifying the additional income in order that specific grant can be received. It should however be noted that our actual council tax base has not been used for our AEF allocation in recent years – this being instead based on a Scottish Executive estimate of our council tax base.

3.11 Once the additional income can be estimated, the Director of Community Services will engage in discussions with Communities Scotland and/or RSLs to bring forward proposals on how best to utilise these additional monies.

3.12 The total loss of discount to this authority through 50% discount currently amounts to c. £2.3m. The additional income from the reduction of the discount will be less than this due to the exemptions contained in the draft regulations. It is not possible to calculate the precise amount of additional income that will accrue, but it is likely to be between £1.0m and £1.5m per annum. Additional income will also accrue to Scottish Water as discounts for water and sewerage are linked to council tax. This additional income will be paid over to Scottish Water directly by local authorities under the Billing and Collection Order.

3.13 As previously reported, the costs of the implementation of these changes are likely to be c. £5,000 in software changes, printing, stationery and postage. These can be contained within the overall budget for Local Taxes.

4. IMPLICATIONS

4.1 Policy: Changes policy on council tax discounts
4.2 Financial: Implementation costs of c. £5,000. Additional income for RSLs of £1.0-£1.5m p.a.
4.3 Personnel: None
4.4 Equal Opportunities: None
4.5 Legal: None

Judy Orr, Head of ICT & Financial Services
15 November 2004

For further information, please contact Judy Orr (01586) 555201.

List of Background Papers
Council Tax on Second Homes and Long Term Empty Homes: Strategic Policy Committee 30 January 2003
Council Tax Discount on Second Homes and Long Term Empty Homes: Council 27 October 2004