

REPORT TO: Corporate Policy and Performance Board

DATE: 30th October 2012

REPORTING OFFICER: Strategic Director – Policy and Resources

PORTFOLIO: Resources

SUBJECT: Technical Reform of Council Tax

WARD(S): Borough-wide

1. PURPOSE OF REPORT

1.1. The Local Government Finance Bill, which is passing through Parliament, will introduce a number of technical changes to Council Tax billing. This report details the changes together with existing powers to reduce the discount on empty properties. As the Bill is still making its way through the Parliamentary process further changes to regulations are still possible. Members will be updated at the meeting.

2. RECOMMENDATION: That Executive Board be recommended to approve the proposed changes to Council Tax discounts and billing as outlined in Section 4 below.

3. BACKGROUND

3.1. The proposals outlined in the Local Government Finance Bill give billing authorities greater discretion over the reliefs from Council Tax available in respect of second homes and some empty properties.

3.2. The proposed changes are:

- i. Giving billing authorities the power to levy up to full Council Tax on properties designated as Second Homes
- ii. Replacing exemption Classes A and C with discounts, the amount of which would be for the billing authorities to determine
- iii. Allowing billing authorities to levy an 'empty homes premium' in respect of dwellings liable for Council Tax
- iv. Allowing authorities to publish online the 'information to be supplied with demand notices'

3.3 In addition there are existing powers under the Local Government Finance Act (as amended) to reduce the discount on long term empty properties to 0%.

4. MAIN CHANGES

4.1. Second Homes Discount

Current situation

Councils currently have discretion to award Second Homes Discount to properties notified as second homes. This includes furnished properties between lets. This discount can be between 10% and 50%. Certain classes of second homes must be awarded 50% discount (where the owner is required to live in job related premises e.g. pub landlords, caretakers, members of armed forces in family accommodation)

Halton currently has 64 properties classed as a second home and awards 50% discount. It is not known how many of these would fall into the job related class.

Government proposal

To amend legislation to allow Councils to levy up to 100% of the Council Tax on second homes. This does not affect the current job related concession for second homes (they will still be entitled to 50% discount).

Proposed Approach

From 2013/2014 the discount applied will reduce to 0%. This would result in an additional £34,000 being billed.

Potential issues

Information would have to be collected to determine which properties fall under the protected categories outlined above.

4.2 Exempt Class A: Empty dwellings undergoing major repair

Current Situation

Unoccupied properties which are undergoing major repair or structural alteration are 100% exempt from Council Tax under Class A exemption, for a maximum of 12 months, after which they are subject to the 'Long Term Empty' discount. In Halton this is set at 50%. There are currently 43 properties receiving Class A exemption.

Government proposal

Class A exemption is to be abolished and replaced with a discount which Councils can set between 0% and 100%. The period of the discount will be 12 months, after which they will be classed as 'Long Term Empty' and become subject to Halton's charge for long term empty properties.

Proposed Approach

From 2013/2014, reduce the discount on Class A properties to 50% for 12 months, followed by a 0% discount thereafter. This would result in an additional £20,000 being billed.

Potential issues

Reducing or removing the discount could deter potential developers from purchasing such properties thus rendering them long term empty.

Setting the discount level below 25% could result in owners creating 'bogus' occupants living alone in order to attract the 25% single occupier's discount. More visits by council officers would be required to verify such claims.

4.3 Class C Exemption: Properties empty up to 6 months

Current situation

Dwellings which become empty and unfurnished are currently 100% exempt from Council Tax for up to 6 months under Class C exemption. Once the 6 months has expired, the property is subject to the 'Long Term Empty' discount. In Halton, this is set at 50%. There are currently 537 properties receiving Class C exemption.

Government proposal

Class C exemption is to be abolished and replaced with a discount which Councils can set between 0% and 100%. The Government intends to allow councils complete discretion over the level of discount and the time period for which it may apply to an empty home. Properties which have been unoccupied for more than 6 months will continue to be classed as 'Long Term Empty'.

Proposed Approach

From 2013/2014, 100% discount to be maintained for a period of 4 weeks followed by 25% discount for the remainder of the 6 month period. After the 6 month period a 0% discount to be applied. This would result in an additional £220,000 being billed.

Potential issues

Setting the discount level below 25% could result in owners creating 'bogus' occupants living alone in order to attract the 25% single occupier's discount. More visits by council officers would be required to verify such claims.

There could be issues with collectability and avoidance.

4.4 **Empty Homes Premium**

Current situation

Currently, homes which are classed as Long Term Empty' are homes which have been empty for 6 months or more. They currently receive a 50% discount for an indefinite period.

Government proposal

The proposal is to give billing authorities the option to levy an Empty Homes Premium on the Council Tax payable on dwellings which have been left empty for at least 2 years or more. The maximum premium which an authority will be able to apply will be 50%.

Proposed Approach

From 2013/2014, to apply an Empty Homes Premium of 50% to properties which have been unoccupied and unfurnished for two years or more. There are currently 235 properties in Halton that would be affected. This would result in an additional £128,000 being billed.

Potential issues

Introducing the premium in connection with the other changes would increase the Council Tax payable from 50% to 150% from April 2013 for properties that have been empty for 2 years or more.

4.5 **Information to be supplied with Demand Notices**

Current position

Currently the information to be supplied with Demand Notices is produced in the annual Council Tax leaflet.

Government proposal

Proposal is for billing authorities to be able to discharge their duty to provide the information that must be currently supplied with demand notices by publishing it online subject to the right of any resident to require a hard copy.

Proposed Approach

That the production of the annual Council Tax leaflet ceases in its present format. The information to be supplied online with a note being placed with the Council Tax bill to this affect. A hard copy to be printed off and sent to any resident requesting one.

4.6 **Long Term Empty Discount**

In addition to the changes outlined above the Council already has existing powers under the Local Government Finance Act 1992 (as amended) to reduce the discount on empty properties to 0%.

Current situation

Currently, homes which are classed as 'Long Term Empty' are homes which have been empty for 6 months or more. They currently receive a 50% discount for an indefinite period. There are currently 657 properties classed as 'Long Term Empty'.

Proposed Approach

From 2013/2014, the discount to be reduced to 0%. This would result in an additional £300,000 being billed.

Potential Issues

Setting the discount level below 25% could result in owners creating 'bogus' occupants living alone in order to attract the 25% single occupier's discount. More visits by council officers would be required to verify such claims.

There could be issues with collectability and avoidance

5. OTHER CONSIDERATIONS

- 5.1. The proposals outlined above relate to the billing of properties. It is unclear at this stage how much of the newly billed amount will be collected
- 5.2. There is a resource issue with regard to the billing and collection of the new amounts. An issue which is exacerbated by the abolition of Council Tax Benefit and the additional billing and recovery that the subsequent new local Council Tax Reduction Scheme will require, which is to be introduced at the same time in April 2013.

6. IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 6.1 Apart from raising additional revenue the proposed changes should give incentives to owners of properties in the Borough to bring properties back into use as soon as possible.

7.0 RISK ANALYSIS

- 7.1 The timescale for introduction is achievable and the IT software can already handle the changes.

7.2 The changes are being introduced at the same time as the abolition of Council Tax Benefit and the introduction of the Council Tax Reduction Scheme. This will create a resource issue within the Revenues and Benefits and Customer Services Division, therefore consideration will be given to how this additional workload can be accommodated within the Division's structure.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 The proposed billing process has the potential to affect any Council Tax payer in the Borough. An Equality Impact Assessment will need to take place once the Scheme is agreed.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Local Government Finance Bill	Revenues & Benefits & Customer Services Division Kingsway House Widnes	Peter McCann