

Cabinet  
Council

29 November 2011  
6 December 2011

**Name of Cabinet Member:**

Cabinet Member (Strategic Finance and Resources) – Councillor Duggins

**Director Approving Submission of the report:**

Director of Finance and Legal Services

**Ward(s) affected:**

City-wide

**Title:**

Government Consultation – Responding to the *Technical reforms of council tax* consultation document

---

**Is this a key decision?**

No

---

**Executive Summary:**

The Department for Communities and Local Government (DCLG) published the *Technical reforms of council tax* consultation on 31 October 2011 and the deadline for responses is 29 December 2011. The consultation seeks views on a number of proposed changes to the council tax system which include giving Councils greater discretion over the reliefs to apply for second homes and empty properties. The consultation also invites views on whether the establishment of an empty homes premium would help to reduce the numbers of unoccupied properties.

The Council's proposed response, included at appendix 1, is generally supportive of the proposals outlined within the consultation document on the basis that the changes broadly would provide Councils with greater discretion over the application of council tax reliefs. The Council supports the proposal to introduce an empty homes premium which would provide an effective tool in reducing the number of unoccupied properties and help to improve the overall provision of housing in the city.

**Recommendations:**

Cabinet is requested to:

- 1) Recommend that the Council approve the proposed response to the *Technical reforms of council tax* consultation as set out in appendix 1;

Council is requested to:

- 1) Approve the proposed response to the *Technical reforms of council tax* consultation as set out in appendix 1 and submit this response to Central Government.

**List of Appendices included:**

Appendix 1 – The Council's response to the *Technical reforms of council tax* consultation

**Other useful background papers:**

*Technical reforms of council tax* consultation – Department for Communities and Local Government

<http://www.communities.gov.uk/publications/localgovernment/technicalreformcounciltax>

**Has it or will it be considered by Scrutiny?**

No

**Has it, or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

Yes

6 December 2011

**Report title:**

Responding to the *Technical reforms of council tax* consultation

**1. Context (or background)**

- 1.1 The Department for Communities and Local Government (DCLG) published the *Technical reforms of council tax* consultation on 31 October 2011 and the deadline for responses is 29 December 2011.
- 1.2 The consultation seeks views on a number of proposed changes to the council tax system, including proposals to give billing authorities (BAs) greater discretion over the reliefs from council tax available in respect of second homes and empty properties. The consultation also invites views on whether BAs should have the power to levy a council tax premium on empty homes.
- 1.3 The proposals set out in the consultation are broadly consistent with the wider housing policy agenda to increase the supply of homes and reduce the number of empty properties.

**2. Options considered and recommended proposal**

- 2.1 The consultation poses 22 specific questions and the key themes of the consultation, and the Council's proposed responses, are broadly summarised below.

**Second homes**

- 2.2 Currently BAs can apply a discount to council tax charges for second homes of between 10 and 50 per cent. Coventry applies a 10 per cent discount. The consultation proposes to allow BAs to apply a discount of between 0 and 50 per cent. The Council believes that such a change would be positive.

**Uninhabitable empty homes**

- 2.3 Currently uninhabitable and substantially unfurnished empty homes are exempt from council tax for up to one year by way of a Class A exemption. The consultation proposes to replace this exemption with a discount of between 0 and 100 per cent and invites views as to the level of discount to apply and over what timescales the discount is applied for. The Council's view is that the Class A exemption should be replaced with a discount and that BAs should have discretion over the level of discount applied and the period for which a discount is applied.

**Unfurnished empty homes**

- 2.4 Under the present system tax payers are relieved of liability for six months where a property is un-occupied and unfurnished by way of a Class C exemption. The consultation proposes to replace this exemption with a discount which BAs may set at between 0 and 100 per cent. The consultation invites views on whether BAs should have discretion over the time period for which the discount is applied and whether BAs should have discretion to award different levels of discount in specific cases. The Council's view is that the Class C exemption should be replaced with a discount and that BAs should have discretion as to the period for which the discount may apply and discretion to award different levels of discount in different cases.

## **Repossessions**

2.5 Repossessed properties are currently exempt from council tax liability. The consultation proposes that mortgagee's who are in possession of an empty dwelling should be liable for the council tax charge. The Council agrees with this proposal which would generate additional revenue for the Council of approximately £60k per annum.

## **Empty homes premium**

2.6 The consultation seeks views on whether the proposal to allow BAs to charge an additional council tax premium for empty properties would have a significant impact on the number of homes being left empty. The consultation invites views on the length of time a property should have been empty before such a premium is applied and the level of the premium in terms of a percentage of normal council tax. The Council believes that an empty homes premium would be a significant incentive to encourage owners to bring properties back into use at the earliest opportunity. The Council believes that BAs should have discretion in terms of the length of time a property should have been empty before a premium is applied. The Council's view is that the government should set an overall ceiling in terms of the level of premium that can be applied but that BAs should have discretion to determine the level of premium below that ceiling.

2.7 The Council's view, as expressed in the consultation response, is that any additional revenue generated as a result of an empty homes premium should not be ringfenced in any way.

## **Payment by instalments**

2.8 Tax payers can choose to pay by lump sum or by instalment. Currently the standard instalment period is 10 months. The consultation seeks views on the proposal that council tax payers should be entitled to spread the cost of council tax over twelve months. The Consultation response states the Council's view that it is not timely or necessary to review the current statutory instalment scheme and a move to a standard 12 monthly scheme would place significant additional pressures on local government finances and resources.

## **Solar panels**

2.9 Currently homes with domestic solar panels are not liable for non-domestic rates. However, homes with solar panels installed by a third party under a 'rent a roof' scheme can be liable for non-domestic rates. The consultation proposes that all homes with any form of solar installation should not be liable for non-domestic rates providing the level of power generated by the installation falls below a designated threshold (10kW). The average domestic installation produces between 1.5kW and 3kW. The Council agrees with this proposal.

## **Annexes to dwellings**

2.10 Currently annexes (for example part of a house structurally altered to provide accommodation for an elderly relative – often referred to as a granny flat) are subject to a separate council tax charge even if the annex is unoccupied, unless the structural alterations are reversed to make the dwelling a single property once again. The consultation invites views on whether this approach should be changed to allow unoccupied annexes to be treated as part of the main dwelling and therefore the whole dwelling would attract only one council tax charge instead of two. The Council agrees that the approach should be changed so that annexes which are no longer being used as a separate dwelling may once again, for

council tax purposes, be treated as one dwelling regardless of the physical circumstances of that dwelling.

### **3. Results of consultation undertaken**

3.1 No consultation has been undertaken.

### **4. Timetable for implementing this decision**

4.1 Not applicable

### **5. Comments from Director of Finance and Legal Services**

#### **5.1 Financial implications**

In summary, if the proposals in the consultation were implemented and Coventry took the local policy decision to reduce discounts to a minimum then the additional resources would be approximately £1.8m. However, this figure is dominated by the amounts for vacant properties, so if Coventry moved to a 50% discount level then the additional resources would be roughly halved.

#### **5.2 Legal Implications**

There are no legal implications at this stage arising from this report.

### **6. Other implications**

#### **6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?**

Not applicable.

#### **6.2 How is risk being managed?**

Not applicable.

#### **6.3 What is the impact on the organisation?**

#### **6.4 Equalities / EIA**

None arising at this stage from a response to the consultation.

#### **6.5 Implications for (or impact on) the environment**

None

#### **6.6 Implications for partner organisations?**

None at this stage

**Report author(s):**

**Name and job title:**

Jan Evans  
Head of Revenues

**Directorate:**

Finance and Legal Services

**Tel and email contact:**

024 7683 2506  
Janice.evans@coventry.gov.uk

<b>Contributor/approver name</b>	<b>Title</b>	<b>Directorate or organisation</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Helen Harding	Assistant Director Revenues and Benefits	Finance and Legal	11/11/11	11/11/11
Barrie Strain	Performance and Policy Manager	Finance and Legal	11/11/11	11/11/11
Phil Baggott	Lead Accountant	Finance and Legal	09/11/11	09/11/11
Neil Eaton	Private Sector Housing Manager	Community Services	11/11/11	11/11/11
Other members				
<b>Names of approvers:</b> (officers and members)				
Clarissa Evans	Commercial Team Manager	Finance & legal	11/11/11	14/11/11
Chris West	Director of Finance and Legal Services	Finance and Legal	11/11/11	16/11/11
Councillor Duggins	Cabinet Member (Strategic Finance and Resources)		16/11/11	16/11/11

This report is published on the council's website:  
[www.coventry.gov.uk/meetings](http://www.coventry.gov.uk/meetings)

## ***Technical reforms of council tax consultation***

A response by Coventry City Council

### **Question 1**

**Do you agree with the Government's proposal to extend the range of discount available to billing authorities in respect of second homes to 0 to 50 per cent?**

The Council agrees that the range of discounts available to billing authorities (BA) should be changed to 0 to 50 per cent.

### **Question 2**

**How might authorities choosing not to offer any discount on second homes identify them in order to report second homes as necessary for formula grant purposes?**

The Council maintains existing records of second homes because they currently qualify for a 10 per cent reduction. The Council believes it would be difficult to monitor this going forward if the Council were to apply a zero discount as it would not be financially advantageous for home owners to notify BAs of second properties.

### **Question 3**

**Do you agree with the Government's proposal to abolish Class A exemption and replace it with a discount which billing authorities may set in the range 0 to 100 per cent? (Class A exemptions relate to properties which are unoccupied and substantially unfurnished, requiring or undergoing structural alterations or major repair works to make them habitable.)**

The Council believes that class A exemptions should be abolished and that BAs should have the discretion to apply a discount in the range of 0 – 100 per cent. The Council believes that this discretion could be exercised effectively to reduce the proportion of empty homes in the city.

### **Question 4**

**If Class A exemption is replaced by a discount, for what period should the new discount apply before such properties are treated as long term empties? Should the one-year time limit continue to apply, or should billing authorities have any discretion about it?**

The Council does not believe that the arbitrary one-year time limit should continue to apply and would argue that BAs should have discretion to apply a time-limit which takes account of local circumstances.

### **Question 5**

**If Class A exemption is replaced by a discount, should billing authorities be empowered to give different levels of discount for different cases?**

Ideally the level of discount applied and the period for which the discount is applied would take account of the specific circumstances of individual cases and so the Council would argue that BAs should have the full discretion to apply different levels of discount. In practice, BAs would need to give consideration to the level of administrative burden

that such a discretionary approach could create and ensure that the benefits of establishing discretionary schemes justified any resource implications.

#### **Question 6**

**Do you agree with the Government's proposal to abolish Class C exemption and replace it with a discount which billing authorities may set in the range 0 to 100 per cent?** (A class C exemption relates to properties which are substantially unfurnished and can apply for up to six months).

The Council agrees that the arbitrary Class C exemption should be abolished and replaced with a discount set in the range 0 to 100 per cent.

#### **Question 7**

**If Class C exemption is replaced by a discount, for what period should the new discount apply before such properties are treated as long term empties? Should the six month time limit continue to apply, or should billing authorities have any discretion about it?**

The arbitrary six month time limit should not continue to apply and the Council believes that BAs should have full discretion to apply time limits which take account of local circumstances.

#### **Question 8**

**If Class C exemption is replaced by a discount, should billing authorities be empowered to give different levels of discount for different cases?**

Ideally the level of discount applied and the period for which the discount is applied would take account of the specific circumstances of individual cases and so the Council would argue that BAs should have the full discretion to apply different levels of discount. In practice, BAs would need to give consideration to the level of administrative burden that such a discretionary approach could create and ensure that the benefits of establishing discretionary schemes justified any resource implications.

#### **Question 9**

**Should Government seek to make mortgagees in possession of empty dwellings liable to council tax?**

The Council agrees that mortgagees in possession of empty dwellings should rank higher than owner on the hierarchy of liability and should therefore be liable for council tax. This represents a better outcome for local residents who currently subsidise re-possessed homes by way of the Class L exemption. Making the mortgagee liable would incentivise banks and building societies to get properties back into circulation as quickly as possible.

#### **Question 10**

**Would enabling local authorities to levy an empty homes premium on council tax have a significant impact on the number of homes being left empty?**

The Council considers that an empty homes premium would provide a significant incentive in encouraging owners to bring properties back into use at the earliest opportunity.

However, there are significant administrative implications and potentially costs in establishing a punitive system of premiums in conjunction with the abolition of discounts for empty properties and second homes. The current system provides a financial

incentive for people to advise the BA of a second home or of an unoccupied home. BA inspectors would therefore generally verify that properties are indeed empty. Under a revised system, where no financial incentive was available on empty or second homes, which penalised owners of unoccupied properties through an additional council tax premium, there would be a greater propensity for people to fraudulently declare properties as occupied. BA inspectors would therefore potentially need to inspect occupied properties to verify occupation rather than unoccupied properties. This has potentially significant resource implications for BAs.

Nevertheless the Council believes that an empty homes premium should be an option available to BAs to reduce the number of empty homes.

There are owners who can continue to pay the costs associated with empty homes and there are owners who do not pay their council tax. However the removal of discount in 2000, from anecdotal evidence, did act as a catalyst to many owners not to leave properties empty and the Council would assume this to have a similar effect. At the last change in tax, some owners complained that the additional tax affected the available funds to refurbish the property. This should be considered in balance with the discounts that the Government gives in VAT to refurbish empty homes.

It will have a particular impact on those owners who need a financial incentive to sell or re-occupy. This may be the case where people have inherited a property or bought it for a long term investment. It may have less of an impact on very long term empty properties where finance is not the overriding factor.

Absentee owners who do not pay council tax may be impossible to trace and this will increase the amount of uncollected debt. This would, subject to changes in legislation, enable the council to proceed with Enforced Sales. An Enforced Sale while not guaranteeing, increases the chance of re-occupation.

There is a concern that some of these properties will be in such a condition that they are termed uninhabitable and the Valuation Officer removes them from the Council Tax list and that owners will allow the properties to decline in order to remove them from the list and avoid paying tax. This makes it very difficult for councils to apply pressure through tax or enforcement. The Government should look at restricting those properties that can gain exemption.

#### **Question 11**

**In terms of a percentage of normal council tax, what should the maximum permitted premium be?**

The Council believes that the government should set a ceiling at 100 per cent of the council tax charge but that BAs should have discretion on the level of premium to be applied to allow BAs to take account of local circumstances.

#### **Question 12**

**How long should a dwelling have remained empty before the empty homes premium might be applied in respect of it?**

The Council believes that BAs should have discretion over at what point an empty home becomes liable to an empty homes premium. The time period could possibly be responsive to housing market conditions.

### **Question 13**

**Should constraints be placed on the purposes to which the additional tax revenue generated from an empty homes premium may be devoted?**

In the spirit of localism, the Council believes that any additional revenue generated as a result of an empty homes premium should not be ringfenced in any way.

### **Question 14**

**What circumstances if any should be defined as being inappropriate for levying the empty homes premium, and why?**

The Council would consider that an exemption to the empty homes premium may be appropriate in circumstances where the property is empty due to the death of the owner. Such an exemption may apply for a specified or indefinite period following probate.

There may also be circumstances where an owner is taking all reasonable steps to rent or sell a property and therefore it is unfair to apply the empty property premium.

### **Question 15**

**What practical issues would have to be addressed if the premium were to be implemented (for example in the consistent identification of empty homes) and how should they be resolved?**

There are significant administrative implications arising from such a policy as outlined in the response to question 10 above.

### **Question 16**

**Do you agree that Section 66(2C)(a) should be amended along the lines suggested?**

The Council acknowledges the findings in the Curzon Berkeley case and accepts that the original legislation had been drafted incorrectly. The Council agrees with the suggested amendment.

### **Question 17**

**Do you agree that the default pattern of council tax bill instalments should be payment by 12 monthly instalments (with other arrangements to be reached by agreement between taxpayer and billing authority)?**

The Council does not believe that it is timely or necessary to amend the current statutory instalment scheme. A standard 12 month instalment scheme would put further pressure on local government finances and resources. A standard 12 month instalment scheme would adversely affect in-year collection rates.

### **Question 18**

**Do you agree that billing authorities should be able to discharge their duty to provide the information that must currently be supplied with demand notices by publishing it online (with the exception of information relating to penalty charges, and subject to the right of any resident to require hard copy)?**

The Council believes that the current requirement to issue the requisite accompanying information to demand notices in paper form is antiquated, unnecessary and contrary to the financial and green agendas that Council's and government are pursuing. The Council agrees that electronic publication of such information should be permitted in order to discharge the statutory duty.

### **Question 19**

**Do you agree that domestic scale solar photovoltaic installed on dwellings should be treated as part of those properties?**

The Council agrees that domestic scale solar photovoltaic installations should be treated as part of the dwelling subject to the provisions outline in questions 20 below.

**Question 20**

**Do you agree that domestic scale solar photovoltaic should be defined as installations having a maximum generating capacity of 10 kW?**

Yes.

**Question 21**

**In what circumstances if any do the rules requiring the separate banding of self contained units of accommodation within a hereditament give rise to injustice?**

If an annex is no longer used for the purpose which originally gave cause for it be charged separately from the main hereditament, then it would appear unfair for the owner to have to undo the physical alterations to the property, at potentially significant expense, to have it once again treated as a single dwelling.

**Question 22**

**Should the Government seek to make changes to these rules, and if so, what changes?**

Yes. It is desirable that the rules take account of the actual use of such properties rather than purely the physical state of the dwelling.