

Cabinet
Council

8 January 2013
15 January 2013

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:

Technical changes to council tax (supplementary)

Is this a key decision?

No

Although this matter may affect all wards, the impact is not expected to be significant.

Executive Summary:

The Local Government Finance Bill 2012 received Royal Assent on 31 October 2012 and makes provision for a number of technical changes to Council Tax to take effect from 1 April 2013.

At a meeting on 10 July 2012 (whilst the bill was still in draft form) the Council's Cabinet approved a number of recommendations in respect of these technical changes, including the application of an immediate 100 per cent council tax charge for unfurnished empty properties. This change was projected to increase Council revenue by up to £1.5 million per annum. Now that the final bill has received Royal Assent, the contents make it necessary for these changes to be approved by Council.

The application of the charge would also result in an increase in the number of council tax bills generated, many of which would be for relatively small amounts. This would result in increased administration costs to the Council and potentially affect collection rates.

The Government has now confirmed that Councils will have discretion to apply a discount of between zero and 100 per cent for empty properties and Councils may determine the period for which such a discount will apply.

The Council proposes to establish a standard 100 per cent discount for a period of up to two weeks for empty properties. This will allow landlords a short period to arrange new tenancies and reduce administration costs to the Council. This would reduce the projected additional revenue to the Council by approximately £120,000.

Recommendations:

Cabinet is requested to:

- 1) Recommend that Council approves the implementation of technical changes to Council Tax for second homes and empty properties from April 2013 as approved by Cabinet on 10 July 2012.
- 2) Recommend that Council approves the adoption of a 100 per cent discount for a period of up to two weeks prior to the levy of a full Council Tax charge on unfurnished empty properties

Council is requested to:

- 1) Approve the implementation of technical changes to Council Tax for second homes and empty properties from April 2013 as approved by Cabinet on 10 July 2012
- 2) Approve the adoption of a 100 per cent discount for a period of up to two weeks prior to the levy of a full Council Tax charge on unfurnished empty properties.

List of Appendices included:

Cabinet Report - Technical Changes to Council Tax, 10 July 2012 (Appendix 1)
<http://moderngov.coventry.gov.uk/Data/Cabinet/201207101400/Agenda/Document%205.pdf>

Useful background papers:

Council Tax Information Letter 2012

Other Useful Documents:

None

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 – 15th January 2012

Report title:

Technical changes to council tax (supplementary)

1. Context (or background)

- 1.1 The Local Government Finance Bill 2012 received Royal Assent on 31 October 2012 and makes provision for a number of technical changes to Council Tax to take effect from 1 April 2013.
- 1.2 At a meeting on 10 July 2012 (whilst the bill was still in draft form), the Council's Cabinet approved a number of recommendations in respect of these technical changes, including the application of a 100 per cent council tax charge with immediate effect when a property becomes empty and unfurnished. Now that the final bill has received Royal Assent, the contents make it necessary for these changes to be approved by Council.
- 1.3 Currently an unfurnished empty home is subject to a class C council tax exemption for a period of up to six months. It is estimated that the application of an immediate 100 per cent charge could generate up to £1.5 million in additional revenue for the Council.
- 1.4 The application of an immediate 100 per cent charge for empty properties would specifically impact on local landlords as their properties attract a full charge between lettings.
- 1.5 Often the period between lettings is short and applying a full charge immediately would generate additional council tax bills, often for relatively small amounts, which would increase the cost of collection and potentially impact on collection rates.
- 1.6 To address these issues the Government has confirmed that Billing Authorities will have complete discretion over the level of discount to apply to empty homes and the period for which the discount should apply.

2. Options considered and recommended proposal

- 2.1 The Council will have discretion to apply a discount of between zero and 100 per cent for empty homes and the Council may determine the period for which such a discount should apply.
- 2.2 The Council proposes to establish a default discount period of up to two weeks when a property becomes empty during which a 100 per cent discount would be applied. This would provide landlords with a short grace period to arrange new tenants and would reduce the number of demand notices generated for small amounts.
- 2.3 The Council would retain the discretion to extend the period of the discount in exceptional circumstances.
- 2.4 The application of an initial two-week 100 per cent discount for empty properties would reduce the projected additional revenue to the Council by approximately £120,000. However, there would also be savings to the Council in terms of printing and postage and a reduced requirement to recover unpaid small amounts.

3. Results of consultation undertaken

No consultation has been undertaken in respect of this proposal.

4. Timetable for implementing this decision

4.1 Council tax technical changes take effect from 1 April 2013.

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

As indicated previously, the financial impact on the Council of this change has been estimated at c£120,000. The impact of this will form part of the 8th January Council Tax-Base Report to Cabinet and will be taken account of within the final 2013/14 Budget Setting Report. There are indications that some Registered Social Landlords may claim exemptions as charities which, if granted, would impact on the projected revenue figure. No formal claims had been received at the time this report was prepared.

5.2 Legal Implications

The Local Government Finance Bill received Royal Assent on 31 October 2012 and makes provision for a number of technical changes to Council Tax to take effect from 1 April 2013.

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)?

It will contribute to bringing empty properties back into use and will be an additional source of income.

6.2 How is risk being managed?

Not applicable.

6.3 What is the impact on the organisation?

It will mean that more bills will be issued potentially to those who have not had Council Tax to pay previously.

6.4 Equalities / EIA

The Council Tax service is entitled to hold very limited information. With regard to empty properties this would usually be the owner name(s) and a forwarding address. There is no Equalities Monitoring data available in relation to Council Tax payers; specific information is not held detailing an owner's ethnic background, religion etc. There is a Disabled Reduction Scheme but this can only apply to occupied properties; the information held would be of no use in respect of the forthcoming changes.

As such, there is no evidence available to determine the impact on different groups when these changes are made.

Class A - owners of empty properties undergoing repairs will no longer be exempt and a Council Tax charge will be payable immediately. There is no data available of persons who currently benefit from this exemption

Class C - owners of empty properties currently receive up to 6 months exemption from payment. This will end and, after 2 weeks, full Council Tax will be payable. There is no detailed profile of customers who benefit from this exemption.

Class L - from 1 April mortgagees/lenders will become liable for payment of Council Tax. Unlike Classes A & C there will be no adverse financial impact on individual customers.

Second Homes - owners of furnished empty properties currently receive a 10% discount on the Council Tax payable. Limited information is held on the Council Tax records so it is not possible to provide a profile of who currently benefits from this reduction

Empty Homes Premium - again, a profile is not available of the customers who own properties that have been empty for longer than 2 years who will be liable for an increase of 50% on the Council Tax payable

In summary the legislation relates to the nature of a dwelling. If the property met prescribed criteria then the reductions applied regardless of who owned the property. Anyone whose property qualified would receive the reduction in their Council Tax bill. In the same way, the removal of these exemptions/discounts applies regardless of personal circumstances.

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

The implementation of a two week 100 per cent discount for empty properties would positively impact on partners in the social housing sector.

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