
Cabinet

10 July 2012

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

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. The consultation sought views on a number of proposed changes to the council tax system which included giving Councils greater discretion over the reliefs to apply for second homes and empty properties. The consultation also invited views on whether the establishment of an empty homes premium would help to reduce the numbers of unoccupied properties.

The DCLG has now published a *summary of responses* document confirming the intention to legislate for a number of changes.

This report confirms the changes which DCLG intend to implement and the potential additional revenue that the Council could generate by implementing the changes. The report recommends that the changes are implemented, to maximum effect, from April 2013.

Recommendations:

Cabinet is requested to:

- 1) Approve the implementation of technical changes to council tax for second homes and empty properties from April 2013.

List of Appendices included:

Other useful background papers:

Technical reforms of council tax consultation – Department for Communities and Local Government (DCLG)

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

Summary of responses report - DCLG

<http://www.info4local.gov.uk/documents/publications/2152686>

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?

No

Report title:

Technical changes to council tax

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.
- 1.2 The consultation sought views on a number of proposed changes to the council tax system, including proposals to give billing authorities (BA's) greater discretion over the reliefs from council tax available in respect of second homes and empty properties. The consultation also invited views on whether BA's should have the power to levy a council tax premium on empty homes.
- 1.3 Coventry's responses to the specific questions raised were included in a report to Council on 6 December 2011 and the proposed responses were approved.
- 1.4 The DCLG has now published the *Summary of Responses Report*. This indicates that Coventry's views were shared by most other BA's.

2. Options considered and recommended proposal

- 2.1 The DCLG has now published the *Summary of Responses Report* which confirms the Government's intentions to legislate for the following changes.

Second Homes

- 2.2 The government has confirmed its intention to allow BAs to levy up to the level of full Council tax on 2nd homes (in Coventry, a discount of 10 per cent is currently granted). At any one time there are in the region of 740 Coventry properties receiving this discount. If the 10 per cent discount was to be removed then potential additional council tax revenue would be approximately **£74k**.

Uninhabitable empty homes

- 2.3 The government has confirmed its' intention to abolish the current Class A exemption that applies to properties undergoing repairs. Currently this can be granted as long as qualifying circumstances prevail for up to a maximum period of 12 months. The proposal is to replace this with a discount (discretionary between zero per cent and 100 per cent) and the maximum period that this can be applied for remains 12 months. There are approximately 190 properties in this category and potential revenue if a 0 per cent discount was applied is **£189,000**.

Unfurnished empty homes

- 2.4 A 6 month exemption (Class C) has been available where a property is vacant (unoccupied and substantially unfurnished). The proposal to abolish and replace with discounts was welcomed by BA's. As such the government has confirmed the intention to abolish this and empower BA's to give discounts (zero per cent up to 100 per cent). With approximately 1,500 properties in this category at any one time potential additional council tax revenue if the discount was set at zero per cent is **£1.5 million**.

Repossessions

- 2.5 Repossessed properties are currently exempt from council tax liability. The consultation proposed that mortgagees who are in possession of an empty dwelling should be liable for the council tax charge. This exemption class is to be abolished and Council tax will be payable by mortgagees. Indicative additional revenue for this category is **£58k**.

Empty homes premium

- 2.6 The government consulted on a proposal to apply a premium to properties that had been empty for a long period of time. Coventry's response was that this would encourage occupation of properties left empty. The government has confirmed that the maximum premium to be applied after a property is empty is 50 per cent of normal council tax liability. This means that properties within this category would pay 150 per cent of full Council Tax. It is difficult to provide potential revenue figures for this change as it is anticipated that many such properties would become occupied rather than incur this charge. Currently, there are 545 properties that have been empty for longer than two years.

Payment by instalments

- 2.7 The Government has confirmed that council tax payers should be able to pay their liability over 12 months rather than the current standard 10 months. BAs have responded that this would have a negative impact on cash flow and potentially collection rates. Despite these concerns the Government has confirmed that this change will be implemented.

Solar panels

- 2.8 It has been confirmed that there will be no liability for Non-Domestic Rates in respect of solar panels installed on domestic properties.

Annexes to dwellings

- 2.9 The government consultation on treatment of annexes related to whether they should be treated as separate dwelling. A further broader review of this area is to be carried out.

Impact

- 2.10 The examples below illustrate the potential impact of the technical changes on local residents:

Mrs G inherits property from father after his death. Probate granted and property transferred into her name. However property can't be sold and remains on market. Property emptied of furniture to obtain 6 months Class C which is worth a reduction of £500. *Following changes any vacant properties will attract a charge immediately ownership transfers; no 6 month period of grace.*

Mr T has to move out of a property for a month following fire damage. Currently, an exemption can be applied but this could potentially be removed. *Council tax would still be payable on properties currently deemed uninhabitable because of requirement for structural repairs/adaptations.*

Miss J finds seasonal work abroad for 6 months and does not want to rent out her property for this short period of time. Currently she could put furniture into storage and obtain an

exemption. *For many periods where a home is left empty for short periods (economic/family reasons) a full Council tax charge will remain payable.*

Recommendation

2.11 It is recommended that the Council implement the proposed changes and apply the maximum charge in respect of:

- Second homes
- Uninhabitable homes
- Unfurnished empty homes
- Repossessed homes
- Long term empty homes properties

2.12 It is estimated that these changes would result in additional revenue totalling £1.8 million per annum, not including the empty homes premium.

2.13 In addition to technical changes to council tax, the Government is abolishing council tax benefit and localising support for council tax payments. In so doing, the DCLG are cutting funding for local schemes by 10 per cent. Coventry is therefore expected to receive an annual grant of approximately £27 million towards a scheme which currently costs £30 million per annum. A separate report is being presented to Cabinet on 10 July 2012 requesting permission to consult on a draft local scheme. The Council intends to consult on the option of using the additional revenue from council tax technical changes to offset some of the estimated £3 million reduction in funding for a local council tax support scheme.

3. Results of consultation undertaken

4. Timetable for implementing this decision

4.1 Changes to apply from 1 April 2013.

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

Indicative additional revenue if all discounts/exemptions are removed and the maximum Council tax levied is £1.82m. This figure excludes revenue from any long-term empty premium levied.

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)?

In addition to the clear benefits of increasing revenue to the Council, there are potentially significant benefits to residents and the local economy in incentivising owners to bring properties back into use at the earliest opportunity.

6.2 How is risk being managed?

Not applicable.

6.3 What is the impact on the organisation?

6.4 Equalities / EIA

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

While generating additional revenues for the Council to assist in achieving the Council's corporate objectives there is the potential for many customers who currently benefit from the current arrangements to be financially disadvantaged once the changes are made. Landlords/owners have voiced concerns about the extra liability they will incur. In Coventry, Whitefriars as the biggest social landlord would be particularly affected e.g. -with 200 properties in class C at any one time, additional annual liability would be in the region of £200k.

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