

**The Technical Reform of Council Tax
(Report by the Head of Customer Services)**

1 FINANCIAL IMPACT

- 1.1 If members approve this change, then we can expect to collect an additional £724k pa in Council Tax from 2013 onwards.

2. INTRODUCTION

- 2.1 To inform Cabinet of the Government's proposals to reform Council Tax with effect from 1 April 2013, including the use of certain discretionary powers placed with the Billing Authority.

3. BACKGROUND

- 3.1 The Government started the consultation process on 31 October 2011 with all responses required by 31 December 2011. A response report was published on 28 May 2012, and officers and professional institutions have continued to lobby for more reasoned and effective changes to those proposed for empty properties.
- 3.2 We have achieved some success in this regard as the Government has announced on 27 July 2012 that it now proposes to allow councils complete discretion over the level of discount and the time limits employed.

4. THE CURRENT POSITION AND POLICY

- 4.1 Since the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 came into force on 1st April 2004 this authority has granted the minimum levels of discount to both "long term empty properties" and "second homes" i.e. 0% and 10% respectively.
- 4.2 There are provisions however for "job related" second homes where people are required to live in property provided by their employers for the requirements of their employment including service personnel, ministers of religion, managers of licensed premises etc. The discount is prescribed as 50% in those cases and will continue to be so under the new regime.
- 4.3 The effect of any decision to reduce the level of discounts is to increase the Tax Base and the income derived by all preceptors proportionately to the amount of their precept. In simple terms, as the District Council only accounts for 8.5% of the aggregated council tax charge in 2012/13 that is how much more it would benefit in respect of any increased charge (due to reduced discounts).

5. THE GOVERNMENTS PROPOSALS ON DISCOUNTS

- 5.1 The Local Government finance bill is progressing through parliament, and is expected to receive Royal Assent in the autumn. Guidance has been issued by CLG to enable Billing Authorities and software providers to commence work on the implementation of the following provisions.
- 5.3 Unoccupied and substantially unfurnished domestic properties are currently totally exempt from charge under Class C of the Council Tax (Exempt Dwellings) Order 1992 for up to six months. It is proposed that this exemption class is revoked and replaced by a locally defined discount with the billing authority having complete discretion to remove or amend the discount.
- 5.4 Likewise uninhabitable domestic property that requires or is undergoing major repair or structural alteration is exempt (Class A) for up to twelve months. Again the billing authority will have complete discretion over the level and period of the discount.
- 5.5 Furnished domestic property that is not one's main residence, commonly referred to as "second homes" (and not job related) currently receive the minimum 10% discount. From 1 April 2013 the billing authority will have complete discretion and could remove the discount.
- 5.6 The Government were also considering giving the same discretion over "Mortgagees in Possession" (Class L) but having received representations from a number of financial institutions they are currently re-considering that particular proposal. The number and amount of these current exemptions are relatively low but we will monitor the Government's intention and report as necessary.

6. FINANCIAL IMPLICATIONS OF DISCOUNT POLICY

- 6.1 It is never possible to accurately forecast the amount of income generated by a change of policy for future years as factors such as the housing market and number of long or short term empty properties will change. There will be an inevitable risk of "avoidance" and many small and irrecoverable debts caused by an aggressive policy, which would also cause administrative inefficiencies and appeals over liability for example, who was the "owner" on the date of the bill, and property developers challenging the validity of "completion notices". The financial modelling software is not currently available but should be soon.
- 6.2 We can say that the level of Exemptions/Discounts granted in the past year (2011/12) has been approximately:

Type:	£
Class C (Unoccupied and substantially unfurnished)	1,250,000
Class A (Uninhabitable)	135,000
"Second Home"	39,000

- 6.3 The most straightforward and efficient change is to remove the second home discount as, whilst there will be some small element of avoidance (a single occupant will, and currently does, pay less than for a second home) the administration and monitoring costs will be largely removed and the 10% extra charge is unlikely to be an excessive burden for a second home.
- 6.4 With regards to unoccupied and substantially unfurnished properties we can confidently say that any move to charge council tax from "Day 1" would cause significant complications. Allowing a one month void period would allow most residents and landlords to hand over their property to the next occupant. Using 2011/12 figures, our best estimates of extra income (to be shared by each preceptor) is £724k pa from 2013 onwards .
- 6.5 Any Registered Social Landlord who is also a registered charity would be eligible to claim exemption for up to six months under the "Class B" (charitable) provisions. No suggestion has been made to vary the level of the discount as it is believed that this would add further complication and uncertainty of yield.
- 6.6 There appears to be merit in continuing with the Class A (uninhabitable) exiting arrangements at least initially to encourage necessary improvement to housing stock and to return it to occupation.

7. OTHER GOVERNMENT PROPOSALS

- 7.1 In line with its policy the Government's statement of intent supports the idea that a billing authority should have the option to levy an empty premium on properties left vacant for over two years. The suggested value of the premium is 50% meaning that 150% of the full council tax liability could be charged in such cases.
- 7.2 It is not possible to forecast the yield from this scheme owing to the vagaries of the housing and the likelihood that some long term empty properties awaiting demolition will just be "knocked down" quicker. For example, we currently have 148 properties that have been empty for longer than two years, and 59 of those are owned by Luminus.
- 7.3 If the caseload was to stay constant and there was no wholesale "avoidance" a simplistic calculation could yield an additional £90,000, but of course, this would immediately cease if the policy was successful in bringing the property back in to use. Owing to the likelihood of this scheme not delivering this sum, it is excluded from the financial impact shown at 1.1 above.
- 7.4 The Government has proposed that taxpayers have the right to request twelve instalments at the start of the year, but if they do not then the default scheme remains as now at ten instalments.
- 7.5 The Council Tax (Demand Notices) (England) Regulations 2011 currently prescribe what information must contained within, or accompany, a council tax bill but the Government now proposes that all that additional information can be published on line. There will however, be an obligation to send it all in hardcopy to those taxpayers who request it. Huntingdonshire have for a number of years worked in collaboration with the other billing authorities in Cambridgeshire (excluding the unitary Peterborough City) plus the County, Fire and Police Authorities to publish a 48 page joint document, including a webpage version,

which incorporates many other corporate messages and projects for a very economical £2,500.

8. RECOMMENDATIONS

- 8.1 It is recommended that, subject to the enactment of the relevant legislation:
- 8.1.1. Unoccupied and unfurnished (Class C) properties be granted 100% discount for 1 month and then 0% thereafter.
 - 8.1.2 Second Home Discount is reduced to 0%.
 - 8.1.3 Uninhabitable properties (Class A) be granted 100% discount for a maximum of 12 months (no change).
 - 8.1.4 Empty Homes Premium be levied after two years at 50% in addition to the 100% charge currently made.
 - 8.1.5 Monthly instalments continue to be due on the 15th day of each month (extended to those requesting 12 monthly instalments) but managers be permitted to include an additional later instalment date purely as an incentive for those opting to pay by direct debit.
 - 8.1.6 Huntingdonshire District Council continue to work in partnership with other Cambridgeshire local authorities to publish the 48 page Council Tax Booklet (which includes the on line publication).

BACKGROUND INFORMATION:

Background Papers:

- Technical reform for Council Tax: Summary of responses report
- Council Tax Information Letter 2/2012

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