

CABINET

Local Government Finance Bill – New Discretionary Powers in relation to Council Tax

04 September 2012

Report of Head of Resources

PURPOSE OF REPORT			
To inform Members of various council tax changes being proposed by Government, particularly in light of future potential developments regarding empty homes strategy, and to endorse the outline approach regarding future consultation and decision-making.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Referral from Officer	<input checked="" type="checkbox"/>
Date Included in Forward Plan	Not Applicable		
This report is public.			

RECOMMENDATIONS OF COUNCILLOR BRYNING:

- (1) That the report be noted and the plans regarding future consultation and decision-making for any new discretionary powers be endorsed.

1 INTRODUCTION

- 1.1 The Local Government Finance Bill (“the Bill”) is currently progressing through Parliament and expected to receive Royal Assent in the autumn. The Bill introduces a number of policies designed to increase revenue from empty and second homes, whilst also providing incentives to bring more empty homes back into use.
- 1.2 As part of this policy commitment, the Bill makes provision to give local authorities discretion to reduce some of the council tax exemptions currently prescribed, as well as powers to charge premiums in certain circumstances.
- 1.3 The effective date for the introduction of these discretionary powers is 1 April 2013 and more details are set out below.

2 SPECIFIC PROPOSALS CONTAINED IN THE BILL

2.1 Empty and Exempt Dwellings

- 2.1.1 The new discretionary powers contained in the Bill focus on the following exemption categories in relation to empty properties:

- **Class A** – vacant dwellings where major repair works or structural alterations are required, under way or recently completed. (This exemption applies for a maximum period of twelve months.)
- **Class C** – an empty property that is substantially unfurnished. (This exemption applies for a maximum period of six months.)

2.1.2 The Bill provides the discretion to remove the statutorily prescribed time periods and 100% exemption for these categories, and gives billing authorities the power to charge between 0% and 100% from the date the property becomes empty.

2.1.3 Proposals to implement discretionary powers to remove the exemption for Class L (in relation to properties repossessed by the mortgagee) have been postponed at this stage, pending further consultation with mortgage lenders.

2.1.4 **Appendix A** contains a table detailing:

- the numbers of properties in Class A, Class C and classed as Second Homes and Long Term Empties in the Lancaster area as at April 2012.
- the approximate amount of overall council tax foregone in 2012/13 for this number, based on the total charge for a Band D property of £1514.13, and
- the amount foregone by Lancaster City Council based on its own charge for a Band D property of £192.25.

2.2 Second Homes

2.2.1 A property is classed as a second home if it is furnished but no-one lives there as their sole or main residence. Council tax legislation currently allows the billing authority to award a discount on these properties of between 10% and 50%. Currently the City Council awards a discount of 10% only in these cases, with the bulk of the income from the 40% discretionary charge being allocated under the protocol agreed with the County Council – although it is uncertain whether this will continue next year. The current statutory 50% charge forms part of each authority's precept, or general funding from council tax.

2.2.2 The Bill provides the power for billing authorities to charge 100% on second homes in future, should they choose to do so. The number of second homes and the financial details are also contained in **Appendix A**.

2.3 Empty Homes Premium

2.3.1 Billing authorities currently have discretion to provide a discount of up to 50% on empty properties that are not exempt. These are classed as long-term empty properties.

2.3.2 The Finance Bill introduces the power for billing authorities to charge an additional premium, above the 100% charge, for properties that have been empty for a long time (for example two years).

2.3.3 The underlying policy of the new measures aims to encourage owners to bring empty properties back into use more quickly. As has been outlined previously to Cabinet, it remains the case that a number of dwellings are left empty, at a time when there is an overall housing shortage. As well as being an unused resource, long-term empty properties can attract squatters, vandalism and anti-social behaviour, and can be a blight on the local community.

2.3.4 The Council has always allowed a 50% discount on such properties, although the Finance Bill now provides a good opportunity to review the position. **Appendix A** assumes an additional

levy of 50% as an “Empty Homes Premium” for those properties considered to be long term empty in excess of two years, and details numbers and financial details.

3 DETAILS OF CONSULTATION

- 3.1 A consultation exercise with relevant stakeholders is planned over the next few months in readiness for decision-making later this calendar year. Timescales and resources will be tight, particularly given the legislative position and other workloads, including welfare reforms. It is intended that the form of consultation will be discussed and agreed with the Cabinet Portfolio holder.
- 3.2 Generally council tax related decisions are a matter for full Council, following recommendations from Cabinet. The budget timetable is now scheduled for October Cabinet and this will factor in the consultation and decision-making arrangements in respect of council tax discretionary powers. In summary, however, the final decision will need to be made no later than at December Council, to feed into council tax base setting for 2013/14.

4 OPTIONS AND OPTIONS ANALYSIS (including risk assessment)

- 4.1 As this report is presented primarily for information, no options are presented, although Cabinet is asked to endorse the outline plans regarding consultation in particular and so it may have specific ideas for consideration.

5 CONCLUSION

- 5.1 There is the potential for the Council to raise extra revenue from the proposals included in the Finance Bill. However, it should be noted with caution that income relating to empty properties generally proves difficult to collect and bad debt provisions will need to be reviewed, should the Council choose to adopt any proposals in future.
- 5.2 Any “Empty Homes Premium” must be seen to operate fairly, and must make sense in the context of the broader local strategy for dealing with empty homes. Issues of collection and avoidance would need to be carefully considered as part of any adoption plan.

RELATIONSHIP TO POLICY FRAMEWORK

The proposals will be developed in support of the Council's Medium Term Financial Strategy, whilst also supporting corporate aims regarding health and wellbeing.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Not yet undertaken. In general terms however, positive impacts will need to be balanced carefully against the negatives (e.g. additional revenue and potential for bringing empty homes back in to use balanced against potential disincentives for house-moving / improving empty property and difficulties in collection.)

FINANCIAL IMPLICATIONS

The Government wishes to allow Councils to retain locally any additional council tax resulting from removing the exemption for these classes.

Any changes would feed into the tax base mechanism and therefore the financial benefits would be shared with the Council's major preceptors – i.e. County, Fire and Police Authorities.

Appendix A indicates the revenue impact for a number of assumed proposals, generating an estimated additional £886K in total for district and precepting authorities in the Lancaster area. This equates to an estimated £112K for the City Council. However, the empty homes income (£753k of the total £886k forecast) brings with it a potentially high level of risk, as it may prove difficult and costly to collect.

The calculations as attached are based upon an estimated collection rate of 75% for all categories, as an indication at this stage. This judgement is considered reserved in comparison to other authorities and will be assessed in more detail in due course. Ultimately actual collection performance will be influenced by many factors. Any impact on New Homes Bonus would also need to be considered.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Local Government Finance Bill:
<http://www.publications.parliament.uk/pa/bills/cbill/2010-2012/0265/en/2012265en.htm>

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TECHNICAL CHANGES TO COUNCIL TAX

Exemption class	Number of Properties	Forecast Collection Rate	New Discount	2012/13 CTAX income (Total) (Estimated)	2012/13 CTAX income (Lancaster element) (Estimated)
Exempt Class A (Major repairs)	118	75%	50%	£55,700 (additional 50% income)	£7,100
Exempt Class C (Standard empty)	964	75%	0%	£420,200 (additional 50% income)	£53,400
Second Homes	771	75%	0%	£77,700 (additional 10% income)	£9,900
Long Term Empties	840*	65%	0%	£332,500 (additional 50% income)	£42,200
TOTALS	2,693			£886,100	£112,600
Additional option:					
Empty Homes Premium					
Long Term Empties (over 2 years)	495* (included in above statistics)	50%		£150,700 (based on an additional premium of 50%)	£19,100 (based on an additional premium of 50%)