

COUNCIL BUSINESS COMMITTEE

Technical reforms of Council Tax Consultation Response 10 November 2011

Report of Head of Revenues & Benefits (Shared Service)

PURPOSE OF REPORT

To inform the Committee of a Government consultation, issued as part of its localisation agenda, on proposals to give billing authorities greater discretion over the reliefs from council tax, available in respect of second homes and some empty properties, together with other potential reforms to the council tax system.

This report is public.

RECOMMENDATIONS

1. That the Committee notes the position regarding the consultation and makes any initial comments or observations to feed into the Council's response.
2. That in view of the timescales, that do not match the committee timetable, arrangements be put in place for members to feedback any further comment by e-mail to the Head of Revenues & Benefits before 15th December 2011, in order to meet the consultation deadline of 29 December 2011.

1. INTRODUCTION

- 1.1 On 31st October 2011, the Government issued a consultation paper on proposals for technical reforms to council tax. The rationale for this paper is the opportunity to modernise the council tax system in certain minor respects, whilst supporting the broader decentralisation and localism agenda of the Coalition Government.
- 1.2 The full consultation paper is set out at **Appendix A**. The closing date for responding is Thursday 29 December 2011. A draft response to the consultation questions is provided under **Appendix C** for member consideration
- 1.3 The paper claims that the proposals for second homes and empty properties could generate additional revenue, equating to a £20 reduction for the average Band D property across England.
- 1.4 The paper details proposals to make changes that cover:
 - Second homes and Empty Dwellings.
 - Empty Homes Premium.
 - The statutory instalment scheme

- Information supplied with the Council Tax bill
- Solar panels fitted to domestic properties.
- Double taxation on annex properties (i.e. Granny annexes).

1.5 The effective date for the introduction of these proposals would be the 1 April 2013.

2. PROPOSALS

2.1 Empty and Exempt Dwellings

2.1.1 There are currently 23 classes of exemptions for council tax; some relating to empty properties, some to properties that are occupied. Of those relating to empty properties, the consultation paper focuses on the following categories:

- **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)
- **Class L** – a property which has been repossessed by the mortgagee.

2.1.2 In relation to Class “A” and Class “C” categories of dwelling, the Government proposes to remove the statutorily prescribed time periods and 100% exemption, and give billing authorities the power to charge between 0% and 100% from the date the property becomes empty.

2.1.3 **Appendix B** contains a table detailing the numbers of properties in Class A, Class C and Class L in the Lancaster area as at October 2011; the approximate amount of overall council tax foregone in 2011/12 for this number, based on the charge for a Band D property of £1510.47, and the amount foregone by Lancaster City Council based on its own charge for a Band D property of £192.25.

2.1.4 The consultation paper states that the government wishes to allow Council’s to retain locally any additional Council Tax resulting from removing the exemption for these classes, i.e. for formula grant purposes the vacant property exemption would still be assumed.

2.1.5 For the third category, Class L, the 100% exemption applies so long as the property remains empty and in the hands of the mortgagee.

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%. Lancaster City Council awards a discount of 10% only in these cases.

2.2.2 The consultation paper details proposals to amend this range from 0% to 50%, thereby allowing authorities to charge 100% on second homes should they choose to do so. The number of second homes and the financial details are contained in **Appendix B**.

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 consultation paper contains proposals to allow 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 Lancaster has never exercised its discretion to increase the charge on such properties and therefore a 50% discount still applies. Numbers and financial details are contained in **Appendix B**.

2.4 The Statutory Instalment Scheme

- 2.4.1 Since its introduction in 1993, council tax legislation has provided that each taxpayer has the right to pay their annual charge over 10 monthly instalments (April – January). It also allows for the taxpayer and the authority to enter into some other form of agreement for payment.
- 2.4.2 The past few years has seen an increasing number of taxpayers opting to pay over 12 instalments to ease their financial pressures, and this consultation paper seeks views on whether the regulations should allow for the taxpayer to choose to pay by either 10 or 12 instalments, with the default being 12.

2.5 Information to be supplied with demand notices

- 2.5.1 Currently most council tax bills are issued in hard copy format, although the regulations do allow for electronic billing however this has not been taken up on a large scale. Authorities are also statutorily bound to provide explanatory notes which form part of the demand notice, which again are provided in hard copy with the bills.
- 2.5.2 The consultation paper seeks views on whether to amend the regulations to allow the explanatory notes to be provided online, with a duty to provide a hard copy if requested.

2.6 Solar Panels on Domestic Properties

- 2.6.1 Currently solar panels fitted on the roofs of domestic properties are treated as having no material impact on the value of a property and therefore no impact on the amount of council tax charged.
- 2.6.2 However, the emergence of schemes where a third party provider takes part possession of the roof of homes to install these panels and generate electricity on a commercial basis, has flagged the possibility of the need to treat these installations as separate business rate assessments. The consultation paper suggests that such schemes should continue to be treated as part of the domestic property unless they generate wattage greater than 10kw.

2.7 Double Taxation on Annexe Properties

- 2.7.1 Currently, where part of a property has been adapted for separate use, but is within the confines of the existing property, it will be banded as a separate unit for council tax purposes. However, if this separate unit is unoccupied, a full exemption is awarded, if it would not be possible to let this unit on a commercial basis.
- 2.7.2 The consultation paper seeks views on whether such empty units should continue to be banded individually.

2.8 Other Issues

- 2.8.1 The paper also seeks to close a loophole in the current definitions in the legislation relating to 'relevant person' for council tax liability.

3. Options and Options Analysis (including risk assessment)

- 3.1 There are a number of options available for consideration.

Option 1: To approve the arrangements for agreeing any response as reflected in the recommendations.

Option 2: Not to involve the Committee in any response.

4. Officer Preferred Option (and comments)

- 4.1 It is recommended that Option 1 be applied. In view of the significance of these Government proposals it is considered that the Committee would wish to have an opportunity for input to any response.

5. Conclusion

- 5.1 Changes to council tax affects all members of the community and the opportunity for consultation on these proposals is welcomed.

CONCLUSION OF IMPACT ASSESSMENT

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

The proposals within this consultation paper will impact upon taxpayers.

The Government goal is to redistribute power and funding from government to local authorities to deliver what they want for their communities. As council tax is a local tax it is felt that as part of the broad agenda the Government should look for changes that further empower local communities.

The consultation questions are listed under **Appendix C**, together with a draft response on each question for member consideration, covering the implications for the administration and collection of council tax.

FINANCIAL IMPLICATIONS

The Government claims that the proposals will help to keep the overall levels of council tax down.

The table at Appendix B indicates estimated levels of additional income should all proposals be adopted. However, obtaining ownership details and collecting empty homes income proves to be the most difficult part of the job and bad debt provisions would need to be increased to reflect these changes should they be implemented.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and her comments are reflected in the report.

LEGAL IMPLICATIONS

There are no legal implications arising at this stage.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None.

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