

 Executive 14th December 2011		Agenda Item No. 4
Title	Technical Reform of Council Tax	
For further information about this report please contact	Mike Snow, David Leech	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers	Consultation Paper issued by DCLG WDC Response	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	Yes/No (If No state why below)

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive		Andy Jones
Head of Service		Mike Snow
CMT		Chris Elliott, Andy Jones, Bill Hunt
Section 151 Officer		Mike Snow
Monitoring Officer		Andy Jones
Finance		Mike Snow
Portfolio Holder(s)		Andrew Mobbs
Consultation & Community Engagement		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. **SUMMARY**

- 1.1 The purpose of this report is to advise that the Government have launched a consultation on technical reforms of Council Tax. In its desire to keep levels of Council Tax down the Government are proposing to give billing authorities greater discretion over the reliefs from Council Tax available in respect of second homes and other empty properties in order to maximise revenue. In addition the Government is also addressing some technical issues which have arisen in recent years, to explore modernising the system in certain minor respects, and to seek views on whether some other aspects of the system should be changed.
- 1.2 Some of the proposals within the document will require primary legislation and consequently the Government plans to bring it forward in a local government finance bill in this parliamentary session. The proposals, if adopted, will come into effect for 2013-14 and subsequent years. The consultation period ends on 29th December 2011.

2. **RECOMMENDATION**

- 2.1 That members consider the Council Tax Reforms consultation paper and agree the proposed response to the consultation.

3. **REASONS FOR THE RECOMMENDATION**

- 3.1 The proposals represent opportunities in which the Council may raise additional Council tax revenue on empty properties by increasing liability for certain ratepayers and levying charges on others that are currently exempt in order to keep down overall levels of Council Tax.
- 3.2 The consultation period for the responses ends on 29th December and at the time of writing this report assessment of the paper and its implications on the Council and the taxpayer are still being considered particularly by the Institute of Revenues, Rating and Valuation. It is intended that our response to the consultation will be circulated to members before the meeting on the 14th.
- 3.3 Once the Government has passed the proposed Finance Bill, it will be necessary for the Council to consider how it wishes to utilise the additional local discretions before the 2013 council tax billing

4. **POLICY FRAMEWORK**

- 4.1 **Policy Framework** The report does not bring forward changes to the following policies;
- Development Plan Documents
 - Fit for the Future
 - Food Law Enforcement Service Plan
 - The plan and strategy which comprise the Housing Investment Programme
- 4.2 **Fit for the Future** There are no direct implications for the Fit for the Future policy

5. **BUDGETARY FRAMEWORK**

- 5.1 The Government proposes to abolish entirely certain exemptions on empty properties and allow Council the flexibility to award discounts between 0-100%. Depending upon the level of discount the Council agrees there will be opportunity to raise considerable additional Council Tax revenue. Clearly any decisions made will impact upon certain taxpayers who would have previously been exempt from Council Tax on their empty property.
- 5.2 One of the reform proposals is to set a default assumption that payment of council tax will be by 12 installments rather than 10 as is currently the case. Spreading payments to March rather than January will affect the cash flow the Council currently enjoys.

6. **ALTERNATIVE OPTION(S) CONSIDERED**

- 6.1 None

7. **BACKGROUND**

- 7.1 In summary the key changes arising from these proposals are as follows;

- a) Second homes

Currently: Billing Authorities (BAs) have discretion to award a discount between 10 -50 % for owners of a second home. With effect from 01 April 2011 Warwick District Council resolved to award 10%.

Proposal: To extend the discretion for BAs to allow discount between 0 – 50%. WDC could potentially remove the discount altogether and share the additional 10% revenue with the other major billing authorities, i.e. Warwickshire County Council and Warwickshire Police Authority (as happens currently with the additional revenue generated from the second homes being reduced from 50% to 10%)

- b) Exemption A (Uninhabitable)

Currently: Owners of properties the Council deem as uninhabitable are entitled to a maximum of 12 months exemption from Council Tax.

Proposal: To abolish the exemption and allow BAs discretion to award a discount between 0 and 100 per cent for a specified period. The additional revenue generated here would again be shared by the other major precepting authorities.

- c) Exemption C (Empty for less than 6 months)

Currently: Owners of empty properties are exempt from Council Tax for 6 months (before property then becomes a long term empty). The additional revenue generated here would again be shared by the other major precepting authorities.

Proposal: To abolish the exemption and allow BAs discretion to award a discount between 0 and 100 per cent for a specified period. If WDC chose to award discount less than 100% we would get to keep additional revenue.

d) Exemption L (Empty but in possession by mortgage lender)

Currently: Owners of properties in possession by mortgage lender are exempt from Council Tax.

Proposal: To abolish the exemption and make mortgagees (i.e. bank, building society) in possession of empty properties liable rather than the owner.

e) Empty Homes Premium

Currently: Owners of properties that have been empty for a period in excess of 6 months are liable for a full Council Tax charge as resolved by the Council with effect from 01 April 2011.

Proposal: The Government are seeking views on whether BAs should be given an option to levy an 'empty home premium' on council tax properties that have been empty for a long time. This could mean that BAs could levy a charge substantially more than a 100 per cent occupied charge. What constitutes a 'long time' is also under discussion although it is suggested it could be 2 years. It is believed that the additional revenue generated here would again be shared by the other major precepting authorities.

f) Payment by Instalments

Currently: The default number of instalments for Council Tax payments without having to enter into agreement is 10 (April – Jan).

Proposal: The default number of instalments for Council tax payments be increased to 12 (April – March).

g) Council Tax demands–

Currently: Statutory information from the District, County and Police are currently supplied with the Council Tax bill in form of leaflets or booklets. If a taxpayer elects to be billed electronically then a link must be provided so the information can be accessed on line. From 2012 we shall have the functionality to issue bills electronically.

Proposal: Information can be published on-line but duty to provide a hard copy if requested unless the taxpayer has elected to receive bills electronically.

h) 'Rent a Roof' solar photovoltaic installations on domestic properties –

Currently: In certain circumstances these installations warrant a business rates assessment.

Proposal: Domestic scale solar photovoltaic installed on domestic properties will be treated as part of those properties and will not be liable for business rates.

7.2 Statistics and issues to inform our response

- 7.2.1 At the time of our last Tax base return in October 2011 there were 623 properties classified as a second home and therefore attracting a liability of 90% of the full council tax charge. A removal of the 10% discount would lead to additional revenues of £9,100 for Warwick District Council
- 7.2.2 At the time of our last Tax base return in October 2011 there were 549 properties classified as Exempt C property i.e. empty for a period less than 6 months. Replacing the exemption with a 0, 25, 50 & 100% discount would raise additional revenue for the Council of £80,000, £60,000, £40,000 or no change respectively assuming band D properties.
- 7.2.3 At the time of our last Tax base return there were 135 properties classified as uninhabitable. Replacing the exemption with a 0, 25, 50 & 100% discount would raise additional revenue for the Council of £20,000, £15,000, £10,000 or no change respectively assuming band D properties.
- 7.2.4 If the empty homes premium is adopted and making an assumption that 'long time' is defined as 2 years then on current numbers this would affect 143 properties.
- 7.2.5 The abolition of the exemptions A and C if replaced by a low or nil discount is likely to have the effect of bringing homes back into use quicker and consequently reduce the number of long term empty properties. Not only will this help us meet our housing need but it will also have a positive financial effect on our New Homes Bonus allocation.
- 7.2.6 The change for the default number of Council tax payments to 12 will have an adverse effect on the cash flow. In theory all Council Tax is collected by January of each year whereas this proposal will extend the period to March. Based on the assumption that the Authority places its Council Tax income in Money Market Funds until required to pay the relevant shares to the precepting Authorities, it is (roughly) estimated that these would cost the Council £35,000 in lost interest. There is also likely to have a detrimental effect on the in-year collection rate.

A small proportion of Council Tax Income is not received until the end of the due month. Under the existing arrangements, major preceptors are paid their share in 10 staged payments with the last being circa the 12th to 14th March. At this point in time this Council would be paying such monies prior to receiving them.

Anecdotally we are told that many customers enjoy the notion of 2 'free' months however in circumstances where extra instalments are required to assist taxpayers in difficulties he has always been our policy to increase the number of instalments to 11 or 12.

- 7.2.7 With effect from 2012 annual billing we shall be providing the District, County and Police information statutory information in a single booklet. The booklet will

also contain advertising which makes the publication self-financing. The proposal to publish on-line will therefore be cost-neutral although if significant numbers requests a hard copy this could actually increase costs in producing ad-hoc leaflets.

- 7.2.8 It is not clear in the proposals whether there are restrictions on how the additional revenue is spent however there is a clear implication that Councils are expected to manage pressures on council tax and keep overall levels of council tax down.

7.3 **Consultation response**

The Head of Finance in consultation with the Finance portfolio holder will be issuing a response before 29th December in light of issues highlighted above and on consideration of further assessment of the paper from professional bodies such as the Institute of Revenues, Rating and Valuation.