

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY AND FINANCE COMMITTEE

INFORMATION

Agenda Item No 17

meeting date: 12 JUNE 2012
title: CHANGES TO COUNCIL TAX
submitted by: DIRECTOR OF RESOURCES
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1 PURPOSE

1.1 To update members of the outcome of the recent consultation on technical reforms of council tax.

2 BACKGROUND

2.1 The Local Government Resource Review encompassed three potential areas of reform to local government finance:

- The local retention of business rates
- The replacement of council tax benefit with local council tax support
- Technical reforms of council tax

2.2 The Government launched its consultation on technical reforms to council tax on 31 October 2011 lasting until 29 December 2011.

3 GOVERNMENT'S POLICY RESPONSE

3.1 Second Homes

3.1.1 The consultation proposed extending the range of discount available to billing authorities to allow them to levy up to full council tax on second homes.

3.1.2 The Government intends to amend secondary legislation to enable this to happen in time for setting council tax in 2013/14.

3.1.3 We currently give a 10% discount to second homes following a reduction from 50%. The extra council tax raised from this difference of 40% is currently given to the LSP along with LCC and the Police share of these monies.

3.2 Empty Dwellings Undergoing Major Repair – Class A

3.2.1 These are vacant dwellings where major repair works or structural alterations are required, under way or recently completed (up to twelve months). These currently have a full exemption for up to 12 months.

3.2.2 The Government have confirmed they intend to abolish Class A exemption and instead allow billing authorities to set a discount anywhere between 0 and 100% having regard to local circumstances. The maximum period for the discount will remain at one year.

3.3 Vacant Dwellings – Class C Exemption

3.3.1 Dwellings which become empty and unfurnished are currently exempt from council tax for up to 6 months.

3.3.2 The Government's view was that there is no compelling reason why the first six months should be treated so generously. Their response to the consultation is to confirm its intention to abolish the Class C exemption and instead allow billing authorities to give a discount which they may set at 100% or any lower percentage having regard to local circumstances.

3.4 Liability of Mortgagees in Possession – Class L Exemption

3.4.1 Mortgagees – usually banks or building societies – do not currently become liable for council tax when they take possession of a dwelling under the mortgage

3.4.2 The consultation sought views on whether the mortgagee should be liable when there is no resident in the dwelling. A number of practical issues were highlighted and the Government concluded this is a complex area

3.4.3 The Government's response is to continue to develop the proposals set out in the consultation and to make a commitment that the measure will not be commenced without detailed discussion with the mortgage lenders sector about these issues.

3.5 Empty Homes Premium

3.5.1 The consultation sought views on whether the billing authorities should be given the option to levy an "empty homes premium on the council tax payable in respect of dwellings that have been left empty for a long time (two years or more, for example).

3.5.2 In particular the government wanted to explore whether enabling local authorities to levy an empty homes premium on council tax would have a significant impact on the number of homes being left empty.

3.5.3 Response varied however the Government's response to the consultation is to seek the necessary primary legislation to implement the empty homes premium. The premium will not become payable until a dwelling has been empty and unfurnished for at least two years, and the maximum premium which an authority will be able to adopt will be 50%.

3.6 Consequential issues for empty homes

3.6.1 The proposals along with provisions already in place mean that the council tax regime for empty dwellings falls into three distinct phases.

- 1st phase – a dwelling will attract a discount of between 0%-100% determined by the billing authority

For dwellings which remain empty and substantially unfurnished this period will last for 6 months, however for dwellings undergoing major repairs the period will last for 12 months

- 2nd phase – the discount will be between 0%-50%. The rules for this phase are unchanged. The second phase will last indefinitely unless the billing authority has made a determination implementing the empty homes premium.
- 3rd Phase – an indefinite period starting when the dwelling has been empty for two years. In this phase the liability will be up to 150% of the council tax which would be payable if the dwelling were occupied, and the single discount did not apply.

3.6.2 In terms of when the owner of an empty property would be entitled to a fresh start, the Government is inclined to follow the precedent of the current regulations which provides

that for the purposes of determining the last occupation day, any period of less than 6 weeks occupation shall be disregarded.

3.7 Other Technical Changes

3.7.1 The Government had indicated in the consultation that it was minded to amend the statutory instalment scheme to allow the taxpayer the choice of paying their council tax by either 10 or 12 instalments.

3.7.2 Responses from local authorities had strongly opposed the idea and argued the following

- The effect on councils cash flow
- Taxpayers particularly like the “two free months” (as they deem it in February and March)
- There would be issues around the payment of monies to precepting authorities with greater uncertainty about the accuracy of declaring surpluses/deficits on the collection fund to precepting authorities at the end of December.

3.7.3 The Government has carefully considered the views of respondents and is of the view that while, following consultation, the default should remain at 10 months it does believe that the case for a legal right to pay council tax in 12 instalments is compelling. Their response to the consultation is therefore to take forward the proposal to grant council tax payers a legal right to pay by 12 instalments and to ensure that they are informed of that right. Balanced against this, the default position will remain at 10 months.

3.7.4 Certain budget information will no longer be required to be published with the demand notices – instead this can be published on-line.

3.7.5 The Government proposes to amend legislation so that domestic scale solar pv installations on domestic properties under the paramount control of a third party provider will be treated as part of those properties and therefore not liable to non-domestic rates.

3.7.6 The Government is to undertake a broader review of how annexes for family homes can be supported given this is a complex area.

4 IMPACT OF CHANGES ON RVBC

4.1 Annex 1 shows our current discounts and exemptions for these properties and also the council tax revenue generated from these. For illustration the table also models the potential extra income by changing our existing percentage discounts.

5 RISK ASSESSMENT

- Resources – There is potential for considerable extra council tax income to be collected following these reforms. This extra revenue would not be ring-fenced and could be utilised as the Council felt appropriate. This could be to fund the council tax support changes, fund future budget deficits if further grant reductions to local government were announced or any other use.
- Technical, Environmental and Legal – The reforms will be incorporated into new legislation before council's can make changes to their charging policies/
- Political – The decision whether to change the various discounts and exemptions would need to be considered by members

- Reputation – If the Council were to take advantage of the changes then obviously we would need to consult with our residents and other groups before implementation.
- Equality and Diversity – The potential changes would be to empty homes and also discounts to houses undergoing major repair. These would apply to all residents owning such properties and would not single out a particular group of individuals.

6 CONCLUSION

6.1 There is scope for extra revenue to be raised as a result of these reforms to council tax.

DIRECTOR OF RESOURCES

PF31-12/JP/AC
31 MAY 2012

BACKGROUND PAPERS:

CLG – Consultation paper – Technical Reforms to Council Tax

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

For further information please ask for Jane Pearson, extension 4430

POTENTIAL IMPACT OF CHANGES TO COUNCIL TAX DISCOUNTS

Annex 1

Ribble Valley Borough Council										
The recent consultation suggested possible changes to 3 exemptions - Classes A, C and L										
Effect of abolishing exemptions and replacing with a locally set discount										
Class A		A	B	C	D	E	F	G	H	Total
		8	7	11	8	4	2	4	1	from ctax system
45										
<i>Vacant dwellings where major repair works or structural alterations are required, under way or recently completed (up to twelve months). these are currently exempt for upto 12 months, proposal to remove exemption and replace with a discount in range of 0 - 100%</i>										
Average Ribble Valley Council Tax (exl parishes)		975.04	1,137.56	1,300.07	1,462.57	1,787.58	2,112.61	2,437.61	2,925.14	
Average Parishes		11.05	12.89	14.73	16.57	20.25	23.93	27.62	33.14	
Total Average Council Tax		986.09	1,150.45	1,314.80	1,479.14	1,807.83	2,136.54	2,465.23	2,958.28	
Exemption currently given	100%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Current Council tax income		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Discount - say	50%	493.04	575.22	657.40	739.57	903.92	1,068.27	1,232.62	1,479.14	
New Council Tax Income		3,944.32	4,026.54	7,231.40	5,916.56	3,615.68	2,136.54	4,930.48	1,479.14	33,280.66
Collection Rate										90.00%
Extra Council Tax Income										Total Ribble Valley element
										29,952.59 2,848.97
Class C		A	B	C	D	E	F	G	H	Total
		95	95	86	36	26	15	12	1	
366										
<i>A vacant dwelling (i.e. empty and substantially unfurnished) (up to six months). these properties are currently exempt for 6 months then entitled to a discount of 50% as a long term empty property</i>										
Average Ribble Valley Council Tax (exl parishes)		975.04	1,137.56	1,300.07	1,462.57	1,787.58	2,112.61	2,437.61	2,925.14	
Average Parishes		11.05	12.89	14.73	16.57	20.25	23.93	27.62	33.14	
Total Average Council Tax		986.09	1,150.45	1,314.80	1,479.14	1,807.83	2,136.54	2,465.23	2,958.28	
Exemption currently given	100%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Current Council tax income		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Discount - say	50%	493.04	575.23	657.40	739.57	903.92	1,068.27	1,232.62	1,479.14	
New Council Tax Income		46,838.80	54,646.85	56,536.40	26,624.52	23,501.92	16,024.05	14,791.44	1,479.14	240,443.12
Collection Rate										90.00%
Extra Council Tax Income										Total Ribble Valley element
										216,398.81 20,583.01

POTENTIAL IMPACT OF CHANGES TO COUNCIL TAX DISCOUNTS

Annex 1

		A	B	C	D	E	F	G	H	Total
Class L		2	4	1	1	2	1	3	0	14
<i>An unoccupied dwelling which has been taken into possession by a mortgage lender. these properties are currently fully exempt indefinitely</i>										
Average Pendle Council Tax (exl parishes)		975.04	1,137.56	1,300.07	1,462.57	1,787.58	2,112.61	2,437.61	2,925.14	
Average Parishes		11.05	12.89	14.73	16.57	20.25	23.93	27.62	33.14	
Total Average Council Tax		986.09	1,150.45	1,314.80	1,479.14	1,807.83	2,136.54	2,465.23	2,958.28	
Exemption currently given		100%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Current Council tax income			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
exemption but would then be classed as Class C ie 50% discount		50%	493.04	575.22	657.40	739.57	903.92	1,068.27	1,232.61	1,479.14
New Council Tax Income			986.08	2,300.88	657.40	739.57	1,807.84	1,068.27	3,697.83	0.00
Collection Rate										90.00%
Extra Council Tax Income										Total Ribble Valley element 10,132.08 963.72
Effect of Changes to Discounts										
		A	B	C	D	E	F	G	H	Total
Long Term Empties		49	63	60	37	29	15	16	1	270
<i>A vacant dwelling (i.e. empty and substantially unfurnished) after six months. these properties are currently exempt for 6 months then entitled to a discount of 50% as a long term empty property</i>										
Average Pendle Council Tax (exl parishes)		975.04	1,137.56	1,300.07	1,462.57	1,787.58	2,112.61	2,437.61	2,925.14	
Average Parishes		11.05	12.89	14.73	16.57	20.25	23.93	27.62	33.14	
Total Average Council Tax		986.09	1,150.45	1,314.80	1,479.14	1,807.83	2,136.54	2,465.23	2,958.28	
Empty Homes Premium		0%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Premium			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revised Average Council Tax			986.09	1,150.45	1,314.80	1,479.14	1,807.83	2,136.54	2,465.23	2,958.28
Discount currently given		50%	493.04	575.22	657.40	739.57	903.92	1,068.27	1,232.61	1,479.14
Current Council tax income			24,158.96	36,238.86	39,444.00	27,364.09	26,213.68	16,024.05	19,721.76	1,479.14
New Discount - say		10%	887.48	1,035.40	1,183.32	1,331.23	1,627.05	1,922.89	2,218.70	2,662.45
New Council Tax Income			43,486.52	65,230.20	70,999.20	49,255.51	47,184.45	28,843.35	35,499.20	2,662.45
Empty Homes Premium			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Collection Rate										90.00%
Extra Council Tax Income										Total Ribble Valley element 137,264.71 13,056.08

POTENTIAL IMPACT OF CHANGES TO COUNCIL TAX DISCOUNTS

Annex 1

		A	B	C	D	E	F	G	H	Total
Second Homes		30	47	41	29	30	10	23	1	211
<i>A vacant dwelling (furnished)</i>										
<i>these properties are currently entitled to a discount of 10%</i>										
<i>This doesnt include the 40% income already accounted for in our council budgets - currently LSP</i>										
Average Ribble Valley Council Tax (exl parishes)		975.04	1,137.56	1,300.07	1,462.57	1,787.58	2,112.61	2,437.61	2,925.14	
Average Parishes		11.05	12.89	14.73	16.57	20.25	23.93	27.62	33.14	
Total Average Council Tax		986.09	1,150.45	1,314.80	1,479.14	1,807.83	2,136.54	2,465.23	2,958.28	
Discount currently given	10%	887.48	1,035.40	1,183.32	1,331.23	1,627.05	1,922.89	2,218.70	2,662.45	
Current Council tax income		26,624.40	48,663.80	48,516.12	38,605.67	48,811.50	19,228.90	51,030.10	2,662.45	284,142.94
New Discount - say	0%	986.09	1,150.45	1,314.80	1,479.14	1,807.83	2,136.54	2,465.23	2,958.28	
New Council Tax Income		29,582.70	54,071.15	53,906.80	42,895.06	54,234.90	21,365.40	56,700.29	2,958.28	315,714.58
Collection Rate										90.00%
Extra Council Tax Income										Total 28,414.48
										Ribble Valley element 2,702.67
									Grand Total	422,162.67
									Total	Ribble Valley element 40,154.45