

Council Tax Technical Reforms – Review 2013/14

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WHAT BENEFITS WILL THESE PROPOSALS BRING TO COPELAND RESIDENTS

The proposals will update members and clarify entitlement to the various Council Tax discounts introduced on 1st April 2013.

WHY HAS THIS REPORT COME TO THE EXECUTIVE?

(E.g. Key Decision, Policy recommendation for Full Council, at request of Council, etc)

Key Decision

RECOMMENDATION:

The Executive are asked to consider whether they wish to introduce a specific local discount for empty beach bungalows without running water or electricity to be set at 50% for an indefinite period from the 1st April 2013.

1. BACKGROUND

- 1.1 The Local Government Finance Act 2012 contained a number of 'technical' changes which gave councils greater freedom to vary existing discounts and exemptions. The government considered that this would be a suitable means of helping to offset the cost of a Local Support for Council Tax Scheme (LSCT) as the additional income, would be shared between the 3 precepting authorities (Copeland Borough Council, Cumbria County Council and Cumbria Police Authority) in the same proportions they are funding the LSCT.
- 1.2 A full programme of work was undertaken during 2012/13 to review the various discounts and subsequently full Council approved the changes at their meeting on 22nd January 2013. The changes were introduced from 1st April 2013 and were principally designed to:

- Encourage occupation of empty properties and discourage owners from leaving properties unoccupied for long periods of time.
- Reflect the cost of providing services to empty properties and second homes.

1.3 Copeland Borough Council as Billing Authority was empowered to make the decisions on changing the Council Tax discounts without the need for consultation; however it was agreed that the Council would consult on these proposals as part of the wider public consultation on the budget and details were contained in the Copeland Matters edition in October 2012 setting out all of the major proposals affecting the budget, with further information available on the Council's website.

1.4 A number of other changes were made to Council Tax effective from 1st April 2013, the main ones being:

- (i) Council Taxpayers have a legal right to pay by twelve instalments on request, although the default will still be ten instalments. To date approximately 25 taxpayers have requested this facility. The deadline for requests is 15th April.
- (ii) Councils no longer need to provide each Council taxpayer with a hard copy of the information that supports the Council Tax Bill. The Council Tax leaflet for 2013/14 is now posted on the CBC website.

2. COUNCIL TAX TECHNICAL REFORMS

2.1 As stated, Council approved the Technical reforms at its meeting on 22nd January 2013. Following approval of the proposals, those affected by the proposals were notified and changes to the individual Council Tax bills were sent out in March to be effective from 1st April.

2.2 A 'Frequently Asked Questions' document is available on the Council's website

2.3 A number of queries have been received following the changes to the discounts and these can be broadly categorised as:

- Queries on the long term empty premium of 150% (see paragraph 2.4)
- Beach Bungalows (see paragraph 2.5)
- Definition of furnished / unfurnished (see paragraph 2.6)
- Second homes (see 2.7)
- Flooded properties (see 2.8)
- Inspections / Empty Homes Review (see 2.9)

2.4 The majority of queries and complaints have been in relation to the 150% charge for long term empties as this has had one of the most significant impacts on taxpayers. In previous reports to the Executive it was reported that the Government carried out a further consultation as to when it would or would not be acceptable to levy the long term empty premium. The consultation was in respect of 3 main types of empty property as follows:

- Sole or main residence of a member of the armed forces – following the consultation the government determined that this will not be liable to the premium and this exemption from the premium has subsequently been built into the regulations.
- An annex deemed unoccupied because it is being treated by the occupier of the main dwelling as part of the main dwelling – following the consultation the government determined that a dwelling in this circumstance will not be liable to the premium.
- A dwelling which is genuinely on the market for sale or letting – following the consultation the government decided not to prescribe for this circumstance in legislation, in recognition of the difficulty in determining genuine cases. It did however still consider that Councils should not automatically charge in these circumstances and stated that they would 'issue guidance to help local authorities in their decision making process for administering the premium'. The guidance has not been received and currently Copeland Borough Council is levying the premium on this category of dwelling. The situation will be monitored and if any government guidance is received it will be considered and reported back to members.

2.5 A further issue that has come to light is in relation to discounts for beach bungalows.

When the discount was reviewed in 2005, the Executive introduced a locally defined discount of 50% applied to Council Tax for second homes which are beach bungalows and chalets with neither running water nor electricity. This was conditional on owners voluntarily entering into a signed formal agreement with the Council that those utilities are not present in their bungalow and that there is no intention to install them.

The fact that the discount was attached to second homes has in effect meant that when these properties become empty they are then treated as an empty property and not a beach bungalow. In the past this has made no difference to the discount received as both attracted a discount of 50%. However under the changed discounts the discounts for empty properties have been significantly reduced and indeed if the properties have been empty for 2 years then the empty property premium is applied of 150%.

Members are therefore asked whether they wish to reconsider the local policy on this issue and introduce a 50% discount for second homes that are beach bungalows without running water or electricity and that are empty. The alternative is to leave the policy as it currently stands in which case long term empty beach bungalows without running water or electricity

will attract the appropriate empty property discount (which includes the 150% charge once they have been empty for 2 years).

For context, there are currently 7 properties that are classed as beach bungalows without water or electricity of which 2 are empty.

It should be noted that if a property is considered uninhabitable (which is usually defined as not being wind or water tight) then the option remains for taxpayers to apply to the Valuation Office to get the property taken off the rating list and no tax would then be due.

- 2.6 A further issue that has arisen is the definition of 'furnished' as this will determine whether a property is empty or not and there have been a number of queries on this. In terms of a definition of the word 'furnished' for Council Tax purposes, the regulations do not specify this but merely say substantially furnished - each case may therefore be different depending on the size of the property concerned. Items left in a small one bedroom flat for example may render it furnished, but those same items in a large 5 bed roomed house may not. Each case has to be assessed by our inspectors individually and checklist guidelines are being drawn up to assist in this purpose. Photographic evidence is also obtained. A Valuation Tribunal exists for the resolution of any subsequent disagreements that cannot be resolved.
- 2.7 Second Homes in CBC now pay the same Council Tax as standard furnished homes (i.e. full 100% charge). These properties are still recorded on our system as second homes so that if the information is required for any future changes we will have it available.
- 2.8 Flooded properties. The new local discount applies to existing flooded properties as well as any new cases. The discount will be subject to the properties receiving regular inspections. Currently there are approximately 8 cases outstanding and these are in the process of being inspected.
- 2.9 Inspections / Empty Homes Review – because of the current movement between different categories of Council Tax, additional resources will need to be put into inspections. This may be a problem for the in house teams to resource from existing budgets albeit additional Government funding has been granted for 2013/14 of £53k for CBC to fund work associated with the new changes. To assist with this, an empty homes review is currently being considered to be undertaken by a private sector company. Their payment is on a Risk / Reward basis and would be based on the number of empty homes brought back into use, which in turn increases the New Homes Bonus Payment. In effect they take a portion (35%) of the first year increase in the empty property element of the NHB. The following 5 years payments are received fully by CBC. Further discussions are required on operational issues and discussions will need to take place to ensure that the benefit of empty properties brought back into use from the Council's new policies on reducing discounts on empty properties as set out in this report are retained fully by CBC. Members should note that the NHB payment is based on 2 elements; movement in empty properties and the net increase /

reduction in properties in the area. The review only covers the empty property element and so there is a risk that overall no additional NHB will be received if overall the net properties in the area reduce.

3. **FINANCIAL IMPACT**

3.1 The financial impact of introducing a local discount of 50% on empty properties is in the region of £2000 for the 2 properties involved.

3.2 It is too early in the financial year to estimate the financial impact of all the changes, but based on 2012/13 figures, the estimated impact of the reduction in discounts previously reported to Members was as summarised in the following Table. The projections are estimated on levels of empty properties and second homes existing at a point in 2012/13. Copeland Borough Council would receive c.11.9% of the amounts saved directly with the balance going to the County Council (74.9%) and the Police (13.2%).

Exemption / Discount	Proposed Reduction in Liability	Full financial impact £000	Impact on CBC £000
Class A Major repair	From 100% for 12 months to 50% for 12 months	50	6
Class C Unoccupied and unfurnished	From 100% for 6 months to 50% for 3 months	315	36
Second Homes	From 10% for an indefinite period to zero	105	12
Standard Empties	From 50% for an indefinite period to 10% for an indefinite period	185	21
Long Term Empties	From 50% discount for an indefinite period to a premium of 50% for an indefinite period	335	40
Flood Discount	From zero to 100% for an indefinite period but subject to inspection.	(7)	(7)
TOTAL		983	108

3.3 It must be re-emphasised that there are a number of assumptions and unknown factors in the above figures such as changes in numbers of empty / second homes and impact of any changes on potential 'avoidance' measures coupled with any increased difficulty in collecting sums due. Also there is the impact of any further Government guidance to be received on the long term empty premium.

- 3.4 Since the changes were notified to affected persons there has already been a significant movement between categories of exemptions and it will take some time before this settles down. The situation will continue to be closely monitored and fully reviewed for impact during 2013/14.
- 3.5 There may also be a potential positive effect on the New Homes Bonus payments from the Government which is impacted on by reducing the amount of empty properties in the area. Again this will be monitored to see if the new charges do indeed reduce the number of empty properties. (See also Para 2.9)

4. OPTIONS TO BE CONSIDERED

- 4.1 Executive can choose to introduce a local discount for empty beach bungalows without water or electric of 50% or leave the existing policy.

5. CONCLUSIONS

- 5.1 This is a monitoring report to inform members of the impact of changes to the Council Tax effective from 1st April 2013. A recommendation is made to consider the introduction of a local discount for empty beach bungalows without water or electricity.

6. STATUTORY OFFICER COMMENTS:

- 6.1 The Monitoring Officer's comments are: Proposals are appropriate and proportionate amendment to existing policy
- 6.2 The Section 151 Officer's comments are: Included in the report.
- 6.3 EIA Comments: An initial EIA assessment was completed at an earlier stage. There are no negative impacts identified.
- 6.4 Policy Framework: The Local Government Finance Act 2012 received Royal Assent on 1 November 2012. This Act contains a number of regulations which form a wider package of reforms of which Council Tax Technical Reform is just one. The policy context for Council Tax Technical Reforms (discounts on empty properties and second homes) is contained within the report alongside the technical details. Members will note that subject Full Council's agreement of the recommendations at section 3.5 of the report, this will set the Council's policy on this matter and support the revised future policy framework.
- 6.5 Other consultee comments, if any: A consultation was carried out on the proposals as part of the wider budget service consultation.

7. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?

- 7.1 The risk to the project is in monitoring the financial implications of all of the changes and monitoring procedures are being strengthened.

As the discounts are now locally determined, Allerdale and Carlisle have adopted different levels of discounts to CBC – this has some minor implications for workload in the shared service who will administer all 3 schemes. There will be an additional workload from monitoring the effect of the reduced discounts and particularly how this might impact in terms of debt recovery and monitoring and inspection of properties. How the monitoring and inspection of properties can be most efficiently carried out across the authority and shared service will be investigated further.

An empty property review utilising a private sector company is being considered, however it should be noted that in terms of ultimate impact on New Homes Bonus payment, the empty property review is only one element and so the overall NHB payment may not increase due to issues such as demolitions in the area.

8. WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?

- 8.1 A revised local discount in respect to beach bungalows.

9. APPENDICES AND BACKGROUND DOCUMENTS:

Background documents:

- Council Tax Technical Changes – various Government consultation documents
- Previous reports to Exec and Council