

Committee: Council

Date: 6 February 2013

Agenda item: 11

Wards:

Subject: Technical Reforms to Council Tax

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Councillor Mark Allison

Forward Plan reference number: 1226

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Recommendations:

- A. To agree that the Council will implement the changes discounts and exemptions shown in section 3 from 1st April 2013
- B. To agree that a review of the impact of these changes along with a review of the empty homes premium to establish if a premium should be charged will be undertaken for the full year of 2013/14 and then reported back to Cabinet for consideration for the 2015/16 budget process.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. This report details the Governments Technical Reforms for Council Tax and outlines the potential financial impact these could have if adopted by the Council. The report recommends that the Council withdraws the existing discounts and exemptions for empty homes.
- 1.2. The recommendations above were agreed by Cabinet on the 2 July 2012.
- 1.3. Section 67(2) of the Local Government and Finance Act 1989 (as amended by the Local Government Finance Act 2012) provides that the power to decide to reduce discounts in section 11A Local Government Finance Act 2012 can only be exercised by full Council.

2 DETAILS

- 2.1. In October 2011 the Government issued a consultation paper with proposals to give billing authorities greater discretion over the reliefs available from council tax in respect of second homes and some empty properties.
- 2.2. In May 2012 the Government published its summary of responses and its conclusions it has reached.

2.3. Legislation has now been changed to give billing authorities discretion to remove or reduce the current levels of reduction for empty properties. The main areas affected where the Council will be able to award a reduction based on local discretion are:

2.4. Second Homes (empty and furnished property) - the Government decided to allow billing authorities to levy up to the full charge from 2013-14. Currently in Merton we grant a 10% discount for an empty and furnished property. For a full financial year this would equate to approximately £120,000 – in the region of 1,000 properties would be affected

2.5. Uninhabitable properties (Class A Exemption – empty, unfurnished and undergoing major repair) - the Government decided to allow billing authorities to grant a discount from 0% to 100% but it must be granted for 12 months. Currently up to 12 months full exemption is granted. This class of exemption is split in to two, Class A1 where the property is empty and requiring major works to make it habitable or undergoing structural alteration and Class A2 where a property that is empty and has undergone major or structural alteration and less than six months have elapsed since the date the work is completed. (Mainly new builds before an occupier moves in). This exemption is only granted for six months.

The table below shows the number and value granted over the past two years.

Exemption Type	Number	Granted 2010/11	Number	Granted 2011/12
Class A1 -	503	£347,280	563	£306,254
Class A2 -	381	£45,770	625	£133,004

The majority of Class A1 exemptions granted in 2011/12 were granted to individual homeowners. Of the 563 granted 171 were granted for over 6 months (£191,000). Of these 11 were granted for over £2,000 and a further 101 were granted for over £1,000.

Class A2 exemptions were mainly granted to developers or Housing Associations where new properties have been built. One developer received exemptions totalling £21,000 for 62 properties, of these 12 were for the full six months and a further 21 were for over 100 days.

2.6. Vacant dwelling (empty and unfurnished property) – the Government decided to allow billing authorities to grant a discount from 0% to 100% but it must be granted for 6 months. Currently 6 months exemption is granted.

The table below shows the number and value granted over the past two years

Exemption Type	Number	Granted 2010/11	Number	Granted 2011/12
Class C	4,491	£1,023,819	4,527	£1,022,159

Class C exemption is mainly granted for the following three reasons:

- Property is being sold and the owner has moved out
- Property has been purchased and the owner or tenant has not moved in
- The property is empty between tenancies

Of the total number granted in 2011/12 - 2,135 were granted for less than one month and 243 were granted for the full six months.

One housing association were granted Class C exemption on 346 properties totalling £70,570, 16 of these were for the full six months and a further 82 were for between 3 and 5 months.

2.7. Empty homes premium (empty and unfurnished property for at least 2 years)

– the Government has decided to allow billing authorities to charge a premium on properties that have been empty and unfurnished for at least two years. The maximum premium will be 50% of the full yearly charge. At present the Council does not hold accurate data on how many empty properties remain empty after two years.

2.8. Appendix 1 shows details of the existing arrangements, proposed arrangements, the number of properties affected and the potential value of the changes. It also lists additional proposals for information.

3 PROPOSAL

- 3.1. To remove the existing 10% discount for second homes (empty and furnished properties)
- 3.2. To implement a local discount of 0% for uninhabitable properties (empty, unfurnished and undergoing major repair)
- 3.3. To implement a local discount of 0% for vacant dwellings (empty and unfurnished properties)
- 3.4. To review empty homes to see if a premium should be charged to aid bringing the properties back into use.

4 ALTERNATIVE OPTIONS

- 4.1. The Council could retain the existing levels of discount and exemptions available.
- 4.2. The Council could implement reduced discounts of between 100% and 0% for uninhabitable properties (empty, unfurnished and undergoing major repair) and vacant dwelling (empty and unfurnished property)

5 CONSULTATION UNDERTAKEN OR PROPOSED

- 5.1. No local consultation has been undertaken. No formal separate consultation exercise is required unlike the decision on local tax support scheme. The Government undertook a formal consultation exercise on the proposals during the year and the summary of responses were issued in May 2012.

6 TIMETABLE

- 6.1. Any changes to the level of reductions will be effective from 1 April 2013 and would form part of the budget process timetable.

7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 7.1. The technical reforms for council tax have been built into the MTFS from 2013/14 onwards, as an estimated benefit of £1.4 million p.a. as a potential source of funding for the loss of grant for the local council tax support scheme. This has the benefit of mainly offsetting the loss of grant for the local council tax support scheme. Any changes to these proposals would increase the budget gap within the MTFS.
- 7.2. The impact of these changes, along with a review of the empty homes to encourage bringing the properties back into use should be undertaken in order to feed into the 2015/16 budget process.
- 7.3. Reductions in discounts under the technical reforms to council tax will have the effect of increasing the council tax base which is a key component in setting the Council's Council Tax for 2013/14. Local Authorities are required to determine their Council Tax Base by 31 January 2013 and advise their preceptors accordingly.

8 LEGAL AND STATUTORY IMPLICATIONS

- 8.1. The Governments Resource Review encompassed three potential areas of reform in local government finance
- The local retention of business rates
 - The replacement of council tax benefit by provision for a local council tax support scheme
 - Technical reforms of council tax
- 8.2. An enabling measure has been included in Clause 9 of the Local Government Finance Bill, and if enacted will amend section 11A of the Local Government Finance Act 1992 so that the Secretary of State may define a class of dwelling in respect of which an authority may determine a discount in the range 0% to 100%. This will address the locally set level of discount.
- 8.3. Further clauses have been included in the Local Government Finance Act to allow for the other changes in the technical reforms.

- 8.4. Section 67(2) of the Local Government and Finance Act 1989 (as amended by the Local Government Finance Act 2012) provides that the power to decide to reduce discounts in section 11A Local Government Finance Act 2012 can only be exercised by full Council

9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 9.1. The Government have undertaken a formal consultation exercise on the proposed technical reforms.
- 9.2. Equalities Analysis is attached as Appendix 2.

10 CRIME AND DISORDER IMPLICATIONS

- 10.1. It is possible that collection rates will fall and increased council tax recovery action is required to pursue this additional debt. Alternatively there could be an increase in bad debt provision or write off of uncollected council tax.

11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 11.1. The Council will need to closely monitor the financial impact of any changes implemented to ensure that the additional council tax charged is collected at the same rate as normal council tax and that there is not a disproportionate increase in other discounts claimed.

12 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- 12.1. Appendix 1 – Council Tax Technical Review Overview
- 12.2. Appendix 2 – Equalities Analysis

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Appendix 1 - Technical Reforms Proposals from April 2013 and Impact on Merton

	Current position	Proposal	Number affected	Yearly value
Second Home (empty and furnished property)	10% discount is granted indefinitely – (this is already local discretion)	Can levy up to the full charge	900-1000	£120,000
Uninhabitable (empty property undergoing major repair)	100% exemption up to 1 year	Can grant a discount between 0% and 100% but must be granted for a year still	1100-1200	£430,000
Vacant dwelling (empty and unfurnished properties)	100% exemption up to 6 months	Can grant a discount between 0% and 100% but must be granted for six months	4,400-4,500	£1,000,000
Empty Homes Premium	N/A	Can investigate levying a 50% premium (on top of the full charge) on an empty and unfurnished property for over two years	Not known To be measured	Not known

Equality Analysis



Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet [LINK TO BE ADDED]
 Text in blue is intended to provide guidance – you can delete this from your final version.

What are the proposals being assessed?	Technical Reforms of Council Tax – to remove discounts and exemptions for empty properties
Which Department/ Division has the responsibility for this?	Corporate Services Department – Customer Services Division - Revenues and Benefits Section

Stage 1: Overview	
Name and job title of lead officer	David Keppler, Head of Revenues and Benefits
1. What are the aims, objectives and desired outcomes of your proposal? (Also explain proposals e.g. reduction/removal of service, deletion of posts, changing criteria etc)	<p>Under new technical reforms to council tax the Government have given billing authorities discretion on the level of reductions its grants on empty properties from April 2013. The changes proposed are:</p> <p>Remove the existing 10% discount for Second Homes (empty and furnished properties) – no discount will be granted</p> <p>Remove the existing 100% reduction for Class A exemption (unfurnished and uninhabitable properties) – no discount will be granted</p> <p>Remove the existing 100% reduction for Class C exemption (empty and unfurnished) – no discount will be granted</p>
2. How does this contribute to the council's corporate priorities?	The Council is required to implement a local council tax support scheme from April 2013, failure to do so will result in a default scheme being imposed on the Council.
3. Who will be affected by this proposal? For example who are the external/internal customers, communities, partners, stakeholders, the workforce etc.	The main group of residents that are affected by this proposal will be property owners who leave their properties empty. This will include private landlords, social sector landlords, and property developers.
4. Is the responsibility shared with another department, authority or organisation? If so, who are the	The administration and collection of council tax is the responsibility of the Corporate Services department only.

partners and who has overall responsibility?

Stage 2: Collecting evidence/ data

5. What evidence have you considered as part of this assessment?

Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

The results of the government consultation have been considered by Cabinet in the development of this proposal.

DCLG have undertaken Consultation and Impact Assessment on the proposals [Technical reforms of Council Tax - Consultations - Inside Government - GOV.UK](#)

Stage 3: Assessing impact and analysis

6. From the evidence you have considered, what areas of concern have you identified regarding the potential negative and positive impact on one or more protected characteristics (equality groups)?

Protected characteristic (equality group)	Tick which applies		Tick which applies		Reason Briefly explain what positive or negative impact has been identified
	Positive impact		Potential negative impact		
	Yes	No	Yes	No	
Age		No	Yes		No specific area of concern for this characteristic as the age of any council tax payer/owner is not known or relevant
Disability		No	Yes		Disabled relief still available
Gender Reassignment		No	Yes		No specific area of concern for this characteristic as the sex of any council tax payer/owner is not known or relevant
Marriage and Civil Partnership		No	Yes		No specific area of concern for this characteristic as the personal circumstances of any council tax payer/owner is not known or relevant
Pregnancy and Maternity		No	Yes		No specific area of concern for this characteristic as the personal circumstances of any council tax payer/owner is not known or relevant
Race		No	Yes		No specific area of concern for this characteristic as the race/ethnicity of any council tax payer/owner is not known or relevant
Religion/ belief		No	Yes		No specific area of concern for this characteristic as the personal circumstances of any council tax payer/owner is not known or relevant

Sex (Gender)		No	Yes		No specific area of concern for this characteristic as the personal circumstances of any council tax payer/owner is not known or relevant
Sexual orientation		No	Yes		No specific area of concern for this characteristic as the personal circumstances of any council tax payer/owner is not known or relevant
Socio-economic status		No	Yes		Due to the nature of the proposed change it is unlikely to affect people in this protected characteristic – council tax support is still available dependant of personal circumstances

7. If you have identified a negative impact, how do you plan to mitigate it?

The means tested council tax support scheme is available for residents to apply for.

Stage 4: Conclusion of the Equality Analysis

8. Which of the following statements best describe the outcome of the EA (Tick one box only)

Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet for further information about these outcomes and what they mean for your proposal

Outcome 1 – The EA has not identified any potential for discrimination or negative impact and all opportunities to promote equality are being addressed. **No changes are required.**

Outcome 2 – The EA has identified adjustments to remove negative impact or to better promote equality. **Actions you propose to take to do this should be included in the Action Plan.**

Outcome 3 – The EA has identified some potential for negative impact or some missed opportunities to promote equality and it may not be possible to mitigate this fully. **If you propose to continue with proposals you must include the justification for this in Section 10 below, and include actions you propose to take to remove negative impact or to better promote equality in the Action Plan. You must ensure that your proposed action is in line with the PSED to have 'due regard' and you are advised to seek Legal Advice.**

Outcome 4 – The EA shows actual or potential unlawful discrimination. **Stop and rethink your proposals.**

Stage 5: Improvement Action Pan

9. Equality Analysis Improvement Action Plan template – Making adjustments for negative impact

This action plan should be completed after the analysis and should outline action(s) to be taken to mitigate the potential negative impact identified (expanding on information provided in Section 7 above).

Negative impact/ gap in information identified in the Equality Analysis	Action required to mitigate	How will you know this is achieved? e.g. performance measure/ target)	By when	Existing or additional resources?	Lead Officer	Action added to divisional/ team plan?
New scheme may have impact on residents/landlords financial circumstances	Promotion of proposals and council tax support in local press	Monitoring of collection rates, council tax support uptake and complaints	1 March 2013	N/A	DK	Yes

Note that the full impact of the decision may only be known after the proposals have been implemented; therefore it is important the effective monitoring is in place to assess the impact.

Stage 6: Reporting outcomes

10. Summary of the equality analysis

This section can also be used in your decision making reports (CMT/Cabinet/etc) but you must also attach the assessment to the report, or provide a hyperlink

This Equality Analysis has resulted in an Outcome

See Full Council Report.

Stage 7: Sign off by Director/ Head of Service			
Assessment completed by	David Keppler – Head of Revenues and Benefits	Signature:	Date:
Improvement action plan signed off by Director/ Head of Service		Signature:	Date: