

WIRRAL COUNCIL

CABINET

8 DECEMBER 2011

SUBJECT:	TECHNICAL REFORMS OF COUNCIL TAX
WARD/S AFFECTED	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR STEVE FOULKES
KEY DECISION:	NO

1.0 EXECUTIVE SUMMARY

1.1 This report sets out the areas covered by a Department for Communities and Local Government consultation paper on reforming Council Tax and a proposed response to the 22 questions raised.

2.0 RECOMMENDATION

2.1 That Members agree the proposed response to the consultation document.

3.0 REASON FOR RECOMMENDATION

3.1 Responses to the consultation give the Council the opportunity to influence the proposed reforms to Council Tax.

4.0 BACKGROUND AND KEY ISSUES

Technical Reforms, the Main Areas Under Consultation

4.1 The main areas under consultation by the paper from the Department for Communities and Local Government (DCLG) are Second Homes, Empty Homes, Mortgagees in Possession, Instalments, Electronic information, solar installations and Annexes to dwellings. I have set out below information on each area of consultation. The proposed response to each question are set out in the appendix to this report.

Second Homes

4.2 A second home is classed as a furnished dwelling that is not the sole or main residence of any individual. By definition this covers holiday homes or furnished properties that are between lets. The discount on second homes was initially 50%; the legislation was amended in 2004 to allow Councils to reduce the discount level to 10%. Wirral reduced the level of discount awarded to second homes from 50% to 25% in 2008.

- 4.3 In 2008 the discount could have been reduced to the statutory minimum 10% however 25% was recommended to avoid claims that the property was occupied by an individual who could then claim a 25% Single Person Discount.
- 4.4 The proposals are to reduce the discount level to 0% making second home owners pay 100% of the Council Tax
- 4.5 Wirral has 767 second homes, representing 0.5% of Wirral properties and removing the discount altogether would raise an additional £208,000 which the Council could retain.

Empty Homes

- 4.6 The Government is committed to bringing empty properties back into use as soon as possible. One of the areas it is looking at is reviewing the various exemptions on empty properties which run from Class A to W and are subject to different circumstances and timescales
- 4.7 **Class A exemption** This covers a vacant dwelling where major repair works or structural alterations are required, under way or recently completed. The exemption is property based not owner based. The exemption can be applied to a property for a maximum period of 12 months (this was a change from the original legislation which had an open ended exemption.)
- 4.8 The proposal is to remove the exemption and let councils use discretion to set a discount between 0% and 100% and also dictate the time period of any discount.
- 4.9 Wirral currently has 161 homes in receipt of Class A exemption. If this were to be replaced by a locally defined discount of 100% after 6 months then it has the potential, based upon Band B, to raise £91,675 or £183,350 if the 6 month period is removed altogether. However removing the discount altogether could be viewed as a disincentive to purchasers buying derelict properties to renovate, if they are expected to pay Council Tax on them whilst they are undergoing renovation and cannot be occupied.
- 4.10 **Class C exemption** This exemption can be applied to a property for 6 months. The exemption covers a dwelling that is empty and substantially unfurnished. After the exemption period of 6 months has expired the property is classed as a Long Term Empty Home and a discount of 50% was granted. From 1 April 2011 Wirral decided that this discount was to be reduced from 50% to 0% resulting in 100% Council Tax being paid. The effect of this was an additional £1.6 million for 2011-12 raised on 3,000 properties that had been empty for longer than 6 months.
- 4.11 The proposal, as with Class A is to remove the exemption and let councils use their discretion to set a discount between 0% and 100% and also dictate the time period of any discount. Also the Council would retain the funds without a reciprocal adjustment in grant.

- 4.12 Class A and Class C exemptions are closely related the maximum exemption available, even if both apply for 12 months. Properties cannot gain an Exemption for 12 months under Class A and then obtain another 6 months under Class C.
- 4.13 **Class L exemption** This exemption applies to a property where a mortgagee is in possession under the mortgage. There is no time limit on this exemption.
- 4.14 The Government proposal is to remove this exemption and amend legislation so that the mortgagee in possession is responsible for Council Tax.
- 4.15 Wirral currently has 81 properties covered by this exemption and experience indicates the exemption lasts for approximately 8 months on average. Based upon a Band B then this change has the potential to raise £61,500.
- 4.16 **Empty Homes Premium** This is a new proposal and it is suggested that properties that have been empty for more than two years be subject to a premium, for example another 100% making 200% of the payable amount. The proposal is for the Council to decide the levels and timescales, dependant upon local circumstances, the aim being to encourage and optimise the occupation of Long Term Empty properties.
- 4.17 Wirral has 708 properties classed as Long Term Empty in excess of 2 years and taking a Band B average this would have the potential to raise an additional £806,285 per annum. It has to be acknowledged that this amount would inevitably be difficult to collect as is the recent change to Long Term Empty discounts from 50% to 0%.

Payment by Instalments

- 4.18 The Government is considering offering Council taxpayers the right to pay by 10 or 12 monthly instalments.
- 4.19 Council Tax provides payers with the statutorily defined right to pay by 10 instalments. There will be inevitable financial implications of lost interest for offering payment over a longer period and an additional transactional costs for the potential 232,000 extra instalments, estimated at £32,000. However most utilities do now offer 12 instalments.
- 4.20 Wirral has 116,000 instalment payers 89,000 pay by Direct Debit (77%), 27,000 pay at the Council cash office, On-line, telephone, Bank, Post Office, Paypoint and by Post (23%).

Information to be Supplied with Demand Notices

- 4.21 Councils are legally obliged to supply information with demand notices relating to gross expenditure, budget requirement and preceptor requirements. Most councils supply this information in a separate booklet sent with the Council Tax bill, the Wirral booklet is called "Your Council Tax Explained."

- 4.22 The Government proposal is that this information can be made available on the Council website, only making it available in paper format upon request.
- 4.23 Wirral spent £25,000 on 190,000 booklets in 2011, the potential for savings by severely reducing the number printed is significant.

Installation of Solar Panels on Domestic Properties

- 4.24 The installation of Solar Panels, usually on the roof, is treated as having no material value therefore they do not lead to a change to the Band of a property. However a new type of installation is taking place whereby third party suppliers place panels on the roof of a property. The owner of the property receives the benefit of free electricity and the solar panel provider receives payments under the Government "Feed in Tariff Scheme." It is feasible therefore that this type of installation could be liable for business rates.
- 4.25 The Government proposes to bring forward legislation to stop this from happening.

Annexes to Dwellings

- 4.26 This applies mainly to annexes generally known as Granny Annexes which are attached to a property but are treated separately and Banded as such by the Valuation Officer.
- 4.27 When occupied they are **exempt Class W**, a dwelling which forms part of a single property, including at least one or other dwelling, and which is the sole or main residence of a dependant relative of a person who is resident in the other dwelling.
- 4.28 A problem arises when they are empty as they can attract empty Council Tax until they are occupied by another dependant relative, or substantial alterations, such as kitchen removal, are undertaken to make the annexe part of the main property.
- 4.29 The Government views this as a potential injustice and is asking if the legislation should be changed. Wirral has 13 exempt Class W properties.

5.0 RELEVANT RISKS

- 5.1 If Members do not respond to the consultation then the views of the Council are not heard and the option to influence Government thinking on this matter is lost.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 None

7.0 CONSULTATION

- 7.1 None.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 If any of the groups hold a portfolio of properties and some of them remain empty they could be charged Council Tax or additional Council Tax on those empty properties.

9.0 RESOURCE IMPLICATIONS; FINANCIAL, IT, STAFFING & ASSETS

9.1 There is the potential to raise additional sums of Council Tax if these proposals are enacted. Any legislative changes would require alterations to IT systems and working practices. There are no specific staffing and assets issues arising from this report.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 EQUALITY IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report.

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APPENDICES

Technical Reforms of Council Tax Wirral response

Reference Material

Local Government Finance Act 1992

Technical Reforms of Council Tax Consultation Paper

SUBJECT HISTORY (last three years)

None

Council Meeting	Date