

WIRRAL COUNCIL

CABINET

24 JANUARY 2013

SUBJECT:	COUNCIL TAX DISCOUNTS AND EXEMPTIONS
WARD/S AFFECTED:	ALL
REPORT OF:	INTERIM DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR PHIL DAVIES
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

1.1 Within the Officer Budget Proposals are two items relating to Council Tax Discounts and Exemptions and this report details potential changes to exemptions and discounts available following the Local Government Finance Act 2012. Cabinet is asked to consider the recommendations regarding the level of these discounts and exemptions to be applied for Council Tax 2013/14.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Local Government Finance Act 2012 introduced changes in national Council Tax discounts and exemptions and these need to be considered and, if required, adopted at Wirral in time for the 2013/14 financial year.
- 2.2 The changes from the 2012 Act, if adopted locally with income potential maximised could raise £2.3 million (net of collection losses and administration). These are expanded upon in the next sections of the report.

LOCAL GOVERNMENT FINANCE ACT 2012 DISCOUNT & EXEMPTIONS

- 2.3 The changes allowed by the 2012 Act cover empty property and second homes. In broad terms, the Act removes the current exempt classifications and allows Councils to define their own level of discounts, make a mortgage lender responsible for Council Tax or charge a premium, on properties that have been empty for more than two years. The authority is able to raise more Council Tax from these property types which assists the overall financial position but at the expense of affected Council tax payers paying more.
- 2.4 The information below shows the current status in each area affected by the Act. It identifies known issues and the effect on the Council Tax base. The following data is based upon profiling Council Tax records as at October 2012 and the figures quoted are approximate values.

Table 1 : Local Government Finance Act 2012 - Maximum Sum That Can Be Raised By Each Area

Discount / Exemption	Number of properties	Gross Sum Raised	Loss In Collection	Net Sum Collected
		£	£	£
Class A Empty	326	207,000	8,280	198,720
Class C Empty	8,174	2,450,000	735,000	1,715,000
Premium Empty	700	420,000	142,800	277,200
Second Homes	1,024	96,600	3,860	92,740
Totals	10,224	3,173,600	889,940	2,283,660

Class A Exemption Vacant Dwellings

- 2.5 The current position is that unoccupied and unfurnished homes which need, are undergoing or have undergone major repairs (including structural alteration) to make them habitable are exempt for up to 6 months from the date the repairs are substantially complete. The charge is £nil for this period. Where major repairs or structural alterations are required or underway Council Tax officers decide the classification, usually after a site visit and consideration of the schedule of works. The property will receive an exemption from paying Council Tax for a period of up to 12 months starting from the date on which the property first attracts this exemption. After the 12 month period if the property remains empty 100% Council Tax charge is payable.
- 2.6 The change is to remove the exemption from 1 April 2013 allowing Councils to choose their own level of discount, between 0% and 100% for the first 12 month period. There are currently 326 properties covered by this exemption. The following amounts could be raised based upon the banding of the current property and the level of discount with a 96% collection rate anticipated.

Table 2 : Class A Exemption Vacant Dwellings

Discount %	Gross Sum Raised	Loss In Collection	Net Sum Collected
	£	£	£
0%	207,000	8,280	198,720
25%	155,000	6,200	158,800
50%	103,000	4,120	98,880
75%	51,000	2,040	48,960
100% (as now)	Nil	Nil	Nil

Class C Exemption Vacant Dwellings

- 2.7 This exemption covers properties that are empty and substantially unfurnished. Currently properties receive a six month exemption from the date that they are so. There are properties where Class C may first apply then it move to exemption Class A however the maximum combined exemption period can only be for 12 months.
- 2.8 The change here removes the exemption from 1 April 2013 allowing Councils to apply a discount between 0% and 50% from the date the property becomes empty. There are currently 8,174 properties covered by this exemption. The following amounts could be raised based upon the level of discount with a 70% collection rate anticipated.

Table 3 : Class C Exemption Vacant Dwellings

Discount %	Gross Sum Raised	Loss In Collection	Net Sum Collected
	£	£	£
0%	2,450,000	735,000	1,715,000
10%	2,200,000	660,000	1,540,000
25%	1,800,000	540,000	1,260,000
50%	900,000	270,000	630,000
100% (as now)	Nil	Nil	Nil

- 2.9 There is also the provision to offer stepped discounts. For example, a discount of 50% for the 1st month, then a discount of 25% for the 2nd month and a discount of 10% for the 3rd month would raise £1.4 million. Clearly various combinations of percentages for the available 6 months would raise differing amounts. However whilst stepped discounts can be used it is not recommended at this point and a standard level of discount be retained.
- 2.10 It is estimated that there will be 11,900 individual vacant periods for the next full financial year and 40% of these vacant periods will be less than 31 days. The charge raised for this period equates to £664,500 of the £2,450,000 shown in table 3 above.
- 2.11 This discount can impact upon property sales and rental markets. The effect on landlords could be to encourage the quick turnaround of their properties set against their ability to obtain occupiers / purchasers and the increased Council Tax liability they will face.

- 2.12. A reduction in discount below 25% will inevitably lead to a lower level of tax being raised due to the discount of 25% granted for properties occupied by one adult or furnished property that is not a sole or main residence. There is a likely increase of such properties in order to attract the 25% discount. As an example of this the removal of the 50% Long Term Empty discount on 3,000 properties in 2011/12 reduced the number of empty properties by 400 whilst applications for Single Person Discounts increased by approximately the same figure.

Class C - Vacant Dwellings Long Term Empty Premium Charge

- 2.13 Currently empty properties pay 100% Council Tax after six months. The legislation allows Councils to charge a premium of up to 50% on properties that have been empty in excess of two years.
- 2.14 The Government is currently consulting on whether a property that is being actively marketed for sale or rental should be included within the premium. If it is not the potential to raise income and try to encourage or force properties back into use will be thwarted and the market could be flooded with properties being offered for sale or let at unrealistic prices/rents well above market levels in an attempt to avoid this premium.
- 2.15 Wirral has approximately 700 properties empty for more than two years and if the premium was introduced a collection rate of 66% is projected:-

Table 4 : Long Term Empty Property Premium

Discount %	Gross Sum Raised	Loss In Collection	Net Sum Collected
	£	£	£
50%	420,000	142,800	277,200
25%	210,000	71,400	138,600
10%	84,000	28,500	55,500
0%	Nil	Nil	Nil

- 2.16 The qualifying criteria date is retrospective and the premium charge would be raised from 1 April 2013 against appropriate properties applying to properties vacant before 1 April 2011.
- 2.17 Levying this premium could assist with the Council's and Government stated aim of encouraging bringing empty properties back into use.

Second Homes (Class B and Class A)

- 2.18 Currently second homes, Class B, attract a 25% discount and Wirral has 1,024 properties in this category. There is another type of second home Class A which is similar to Class B but a planning restriction prevents occupation for at least 28 days a year, Wirral has 8 such properties and they attract a discount of 50%.

- 2.19 The proposed change allows the discount to be set at 0%. This could raise £96,600 with a 96% collection rate anticipated.

Table 5 : Second Homes Discounts

Properties	Gross Sum Raised	Loss In Collection	Net Sum Collected
	£	£	£
Class B 0%	3,700	160	3,540
Class B 50% (as now)	Nil	Nil	Nil
Class A 0%	92,900	3,700	89,200
Class A 25% (as now)	Nil	Nil	Nil
Total	96,600	3,860	92,740

Class L Exemption Mortgagees in Possession

- 2.20 Currently a property repossessed from its former occupier is exempt from paying Council Tax whilst it remains in the possession of the Mortgagee.
- 2.21 The legislation was proposed to allow the authority to make the mortgagee responsible for the Council Tax whilst it remains in its possession. The Banks and Building societies were largely unsupportive of this proposal and the Government have decided not to progress this for 2013/14.
- 2.22 The Council Tax Base will be substantially increased if discounts and exemptions are removed or reduced and any changes will need to be reflected in the Council Tax Base report being considered in a later report at this Committee.

ADMINISTRATIVE ISSUES

- 2.23 A number of these proposals raise additional charges and highlight the lower than full collection rates. Alongside this will be increased recovery and enforcement action which increases the Council administration costs and reduces the net income. These costs will be directly related to the specific discounts adopted and include increased costs of court action, payment processing and postage and stationery. An estimate of between £50,000 and £75,000 is likely if all proposals are adopted.
- 2.24 No additional staff are proposed to administer the work these changes bring in billing, collection and verification requirements. This acknowledges the overall financial position of the Council and the significant changes flowing from the Government Welfare Reform programme. However, this will be monitored as the proposals have the potential to impact on excess of 60,000 of charge payers once the impact of Welfare Reform changes are taken into account.

2.25 An inevitable outcome will be a large increase in contacts to the Call Centre, One Stop Shops / Libraries as well as the web channel alongside the additional work back office staff will face. This will impact adversely upon response rates and will be kept under review to minimise the impact on income maximisation, the service standard charge payers expect and on staff.

3.0 RELEVANT RISKS

3.1 The opportunity to maximise revenue raised could be lost set against the risk of additional financial burden that these charges will bring to charge payers and increased levels of late and non-payment.

4.0 OTHER OPTIONS CONSIDERED

4.1 The options are detailed in each section of the report.

5.0 CONSULTATION

5.1 As part of the Localised Council Tax Support Scheme consultation respondents were asked for their views on raising such charges in the 'Council Tax is changing Have Your Say' consultation.

5.2 1,826 responses were received of which 98% were from Wirral residents with 40 voluntary and community organisations also responding. 83% of those responding felt it was appropriate to raise charges against Second Homes and Empty Properties. This response was in the context of the introduction of the new Localised Council Tax Support Scheme which replaces Council Tax Benefit in April 2013.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 The likelihood will be that a number of charge payers who see their Council Tax charges increase will look to access these organisations for support and advice.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 Financial – The savings and losses on collection are dependent on the level of discount Cabinet resolves to take forward and are summarised in the tables within each section above. The costs of administration these changes will bring are estimated to be between £50,000 and £75,000 depending on the schemes and levels adopted and reflect non staffing cost increases.

Table 6 : Local Government Finance Act 2012 - Maximum Sum Raised

Discount / Exemption	Number of properties	Gross Sum Raised	Loss In Collection	Net Sum Collected
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Class A Empty	326	207,000	8,280	198,720
Class C Empty	8,174	2,450,000	735,000	1,715,000
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Total	10,224	3,173,600	889,940	2,283,660
Less :Administration				75,000
Total				2,208,660

7.2 The variations to the discounts and exemptions will generate additional income. With the Class L Empty change not proceeding the maximum additional income in 2013/14 could be £2.2 million. This will impact upon the Council Tax Base and also influence the Council Tax Referendum calculation which impacts upon the level of any Council Tax increase. This will be expanded upon in the report to Budget Cabinet as it is influenced by the levies to be set by the Merseyside Waste and Transport Authorities.

7.4 IT – The changes to the charges will be handled by the current software.

7.5 Staffing – No additional staff are requested at this point but the impact of the breadth of changes will be kept under review for its impact on staff and the standard of service delivered.

7.6 Assets - There are none arising directly from this report.

8.0 LEGAL IMPLICATIONS

8.1 Legal publication of the decisions made will be required.

9.0 EQUALITIES IMPLICATIONS

9.1 The Equality Impact Assessment is attached.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 RECOMMENDATIONS

12.1 That decisions concerning the level of each discount and exemption be made to ensure that thee charges can be levied for 2013/14 and these will take account of the Officer Budget Reduction proposals.

12.2 For Council Tax discounts and exemptions it is recommended that each charge is maximised by agreeing the following :-

Class A Exemption Vacant Dwellings

Discount awarded for 2013/14 is set at 0% .

Class C Exemptions Vacant Dwellings

Discount awarded for 2013/14 is set at 0%.

Long Term Empty Premium Charge

50% Premium to be adopted for 2013/14.

Second Homes

0% Discount to be adopted for 2013/14.

12.3. In consequence the Council Tax Base for 2013/14 be revised accordingly.

13.0 REASON FOR RECOMMENDATIONS

13.1 To allow Cabinet to decide on the level of discounts and exemptions to be awarded for 2013/14 being able to take account of the financial issues impacting on the authority as well as charge payers.

REPORT AUTHOR:

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REFERENCE MATERIAL

Local Government Finance Act 1992

Local Government Act 2003 Sections 11a and 13a

Local Government Finance Act 2012.

Council Tax Information Letters 6/2003 and 7/2003.

SUBJECT HISTORY

Council Meeting	Dates
Cabinet	8 December 2011
Cabinet	3 February 2011
Cabinet	9 December 2010

Equality Impact Assessment Toolkit

Section 1: Your details

EIA lead Officer: Neil Powell

Email address: neilpowell@wirral.gov.uk

Head of Section: Malcolm Flanagan

Chief Officer: Peter Timmins

Department: Finance

Date: 08.11.12

Section 2: What Council proposal is being assessed?

Proposed Savings Finance Department , Revenues & Benefits

Section 2b: Will this EIA be submitted to a Cabinet or Overview & Scrutiny Committee?

Yes If 'yes' please state which meeting and what date

Cabinet January 2013.....

Please add hyperlink to where your EIA is/will be published on the Council's website)

<http://www.wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments/eias-2010/finance>

Section 3: Does the proposal have the potential to affect..... (please tick relevant boxes)

/ **Services**

/ **The workforce**

/ **Communities**

Other (please state eg: Partners, Private Sector, Voluntary & Community Sector)

If you have ticked one or more of above, please go to section 4.

None (please stop here and email this form to your Chief Officer who needs to email it to equalitywatch@wirral.gov.uk for publishing)

Section 4: Does the proposal have the potential to maintain or enhance the way the Council (please tick relevant boxes)

Eliminates unlawful discrimination, harassment and victimisation

Advances equality of opportunity

Fosters good relations between groups of people

If you have ticked one or more of above, please go to section 5.

/ **No** (please stop here and email this form to your Chief Officer who needs to mail it to equalitywatch@wirral.gov.uk for publishing)

Section 5:

**Could the proposal have a positive or negative impact on any of the protected groups (race, gender, disability, gender reassignment, age, pregnancy and maternity, religion and belief, sexual orientation, marriage and civil partnership)?
You may also want to consider socio-economic status of individuals.**

Please list in the table below and include actions required to mitigate any potential negative impact.

Which group(s) of people could be affected	Potential positive or negative impact	Action required to mitigate any potential negative impact	Lead person	Timescale	Resource implications

Section 5a: **Where and how will the above actions be monitored?**

Section 5b: **If you think there is no negative impact, what is your reasoning behind this?**

Section 6: **What research / data / information have you used in support of this process?**

Section 7: **Are you intending to carry out any consultation with regard to this Council proposal?**

(please stop here and email this form to your Chief Officer who needs to email it to equalitywatch@wirral.gov.uk for publishing)

Section 8: **How will consultation take place and by when?**

Before you complete your consultation, please email your preliminary EIA to equalitywatch@wirral.gov.uk via your Chief Officer in order for the Council to ensure it is meeting it's legal requirements. The EIA will be published with a note saying we are awaiting outcomes from a consultation exercise.

Once you have completed your consultation, please review your actions in section 5. Then email this form to your Chief Officer who needs to email it to equalitywatch@wirral.gov.uk for re-publishing.