

**Portfolio Holder Finance, Governance and IT
Decision to be taken on or after
16 December 2011**

**Warwickshire County Council's Response to Technical Reforms of
Council Tax Consultation**

Recommendations

- i. To support the response to the consultation as outlined in the report and Appendix A.
- ii. To authorise the Head of Finance to make any necessary technical changes in line with the approach taken in this report prior to the submission of the response to the government by the deadline of 29 December 2011

1 Background

- 1.1 On 31 October 2011 the Department for Communities and Local Government published a consultation 'Technical Reforms of Council Tax'. The consultation seeks views on proposals that would give English billing authorities' greater discretion over Council Tax reliefs in respect of second homes and empty properties. The consultation also seeks views on some technical adjustments to the tax.
- 1.2 The consultation will have a significant impact on the district and borough councils of Warwickshire. However, some of the technical changes and any consequent impact on the taxbase will impact on the County Council, hence our response. The consultation closes on 29 December 2011 and this report summarises the government's proposals with Warwickshire County Council's response to the consultation attached as **Appendix A**.

2 Consultation Proposals

- 2.1 The government intends to include the appropriate measures contained in the consultation in the Local Government Finance Bill. This would come into effect from April 2013, impacting on the 2013/14 financial year.
- 2.2 The following paragraph summarises the proposals contained within the consultation. The implications will affect Warwickshire tax payers who currently, or may in future, receive discounts/council tax relief and will

indirectly impact on the County Council's finances due to the consequent change in the taxbase.

2.3 Second Homes

There is a proposal to give billing authorities power to levy up to full Council Tax on second homes. If our district/ borough councils decide to do this it would impact on the amount received by the County Council through an increase in the taxbase.

2.4 Empty Homes

There are a number of proposals for dealing with empty homes:

- ❖ Billing authorities will be able to determine the amount of discount for particular classes of empty homes.
- ❖ Discounts when an empty property is repossessed will be abolished completely, by making mortgagees liable to council tax, and
- ❖ Billing authorities will be able to levy an 'empty homes premium' in respect of dwellings which have been left empty for over two years.

2.5 Other Proposals

There is a proposal to set a default assumption that payment of council tax will be over 12 monthly instalments rather than the current 10. They are also seeking views on whether where one part of house has been adapted for separate occupation but is not in fact separately occupied then the whole should be banded as one and around the potential tax complications of houses with solar panels.

- 2.6 More directly pertinent to the County Council, to encourage e-billing and reduce costs, there is a proposal to allow authorities to publish online the 'Information to be supplied with demand notices', effectively the council tax leaflet, but with a duty to supply the information in a hard copy format to any council tax payer who requests it.

3 **WCC response**

- 3.1 A copy of the proposed response to the consultation from WCC is attached as **Appendix A**. The basis of our response is in line with the responses of other County Councils through the Society of County Treasurers. Although not all changes will impact on the County Council itself the responses are made with the aim of maximising the taxbase in Warwickshire. The response comprises of overall comments on the principle of the consultation and answers to the specific question contained in the consultation paper.

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Response of Warwickshire County Council to the DCLG consultation on the Technical Reforms to Council Tax

Warwickshire County Council generally welcomes the proposals to provide authorities with more flexibility to vary the level of council tax discounts. At a time when financial resources are under considerable pressure, these proposals will allow authorities to focus support and discounts on those residents who need them most.

Although the consultation questions directly apply to those authorities which are billing authorities, county councils also have a significant interest in the consultation questions, as county precepts represent the largest share of council tax bills. The consultation does not mention the role of precepting authorities bringing a lack of clarity over two tier areas which could bring confusion and potentially different discounts and reliefs across the County area. We would welcome further clarity over arrangements in two tier areas, such as a requirement for billing authorities to consult major precepting authorities on their proposals.

Warwickshire County Council's response to each of the questions is set out below; underlying the responses is the principle that councils should be given as much freedom as possible in setting discounts, exemptions and premiums. We look forward to the Government's response to the consultation.

1. Do you agree with the Government's proposal to extend the range of discount available to billing authorities in respect of second homes to 0% to 50%?

We support this proposal, as it provides greater freedom to democratically elected councils to respond to the concerns of local communities, especially in circumstances where there are a significant numbers of second homes. Shire authorities are affected by the second home discount to a greater extent than all other types of councils, except inner London boroughs. According to DCLG taxbase figures for 2010/11, 1.23% of dwellings on the valuation list in shire districts were eligible for an exemption, compared to an average of 1.07% for the whole of England.

2. How might authorities choosing not to offer any discount on second homes identify them in order to report second homes as necessary for formula grant purposes?

We believe that if local authorities choose to continue to offer a discount on second homes, the cost should be met from authorities' own resources, not at the expense of authorities which choose not to offer any discount. Consequently, if the proposal to extend the range of discounts for second homes to 0% is implemented, there will no longer be any need to report second homes for formula grant purposes.

Clearly in areas where no discount is offered on second homes, there will be no way of identifying second homes, as residents will not apply to the billing authority for a discount.

3. **Do you agree with the Government's proposal to abolish Class A exemption and replace it with a discount which billing authorities may set in the range 0% to 100%?**

We support this proposal and believe it will provide an incentive to bring vacant dwellings back into use more quickly.

4. **If Class A exemption is replaced by a discount, for what period should the new discount apply before such properties are treated as long term empties? Should the one-year time limit continue to apply, or should billing authorities have any discretion about it?**

We believe that whilst a one-year time limit will be appropriate in most circumstances, authorities should be free to apply a time limit appropriate to local circumstances. Authorities should be given discretion to set a limit which incentivises empty homes being brought back into use. One way in which this could be done is by reducing the discount given on such properties after a fixed period, for example, six months.

5. **If Class A exemption is replaced by a discount, should billing authorities be empowered to give different levels of discount for different cases?**

In principle we support such an approach, as it would lead to a responsive system, able to take into account the expected time for renovation of each property. However, in practice, there is a danger that this approach could become overly bureaucratic and make financial planning difficult.

Consequently, we believe, if discounts are to be varied, it should be on the basis of time, rather than individual circumstances.

6. **Do you agree with the Government's proposal to abolish Class C exemption and replace it with a discount which billing authorities may set in the range 0% to 100%?**

We support this proposal and believes it will provide an incentive to bring vacant dwellings back into use more quickly.

7. **If Class C exemption is replaced by a discount, for what period should the new discount apply before such properties are treated as long term empties? Should the six month time limit continue to apply, or should billing authorities have any discretion about it?**

We believe that the current six-month time limit will continue to be appropriate in most circumstances, as it provides an incentive for owners to return the property to occupation. However, as in the proposals for Class A exemptions, authorities should be free to apply a time limit appropriate to local circumstances. Again, a different discount rate could be applied after six months had elapsed.

8. **If Class C exemption is replaced by a discount, should billing authorities be empowered to give different levels of discount for different cases?**

Our response to Question 5 applies to this question; in the interests of simplicity discounts should be varied on the basis of time, rather than according to individual circumstances.

- 9. Should Government seek to make mortgagees in possession of empty dwellings liable to Council Tax?**
We support this change and agree with the DCLG that there is no good reason why other taxpayers should have to make up the shortfall in tax revenue when properties are repossessed. Removing the Class L exemption would be in the interests of local communities, as it would provide an incentive to mortgagees to take steps to sell the property more quickly.
- 10. Would enabling local authorities to levy an empty homes premium on Council Tax have a significant impact on the number of homes being left empty?**
We support the principle of an empty homes premium, as an incentive to bring unoccupied properties back into use. However there are a number of practical difficulties associated with a premium, outlined in the response to Question 15.
- 11. In terms of a percentage of normal Council Tax, what should the maximum permitted premium be?**
We believe a premium of up to 100% of the normal council tax, in addition to the council tax charge, would be appropriate. Individual authorities should be given discretion to set the premium within this range. If this proposal is implemented, it should be reviewed after two years in order to assess the effects of the premium on the number of empty homes. This assessment will enable a judgement to be made about whether the premium is set at the correct level.
- 12. How long should a dwelling have remained empty before the empty homes premium might be applied in respect of it?**
We believe the period of time for which homes are empty before the premium is applied should be at the discretion of individual authorities. Such an approach would enable authorities to set a period which reflected local circumstances, including the state of the housing market in the area.
- 13. Should constraints be placed on the purposes to which the additional tax revenue generated from an empty homes premium may be devoted?**
We do not believe constraints should be placed on any additional revenue; this would contradict the Government's previous efforts to remove ringfences from funding. Democratically elected councils are best placed to make decisions on the use of such additional resources.
- 14. What circumstances if any should be defined as being inappropriate for levying the empty homes premium, and why?**
We believe the most commonly occurring circumstances will be covered by the proposed and existing regime of exemptions and discounts.
- 15. What practical issues would have to be addressed if the premium were to be implemented (for example in the consistent identification of empty homes) and how should they be resolved?**
We believe there are a number of practical issues which would need to be addressed if the premium were to be implemented. There is a significant risk that dishonest owners of empty properties, liable for a premium in addition to

the council tax, could fraudulently declare the property as occupied and thereby avoid liability. The onus on billing authorities would therefore shift from verifying properties are empty to verifying properties are occupied. This could mean verifying 100% of properties, rather than the 0.5% which are currently classified as long-term empty.

Currently authorities' powers to investigate this type of fraudulent activity are limited and therefore it may not be possible to verify whether a property is occupied. Councils have faced public criticism for their use of surveillance undertaken in line with the Regulation of Investigatory Powers Act (RIPA); as a result the Government has announced plans to make RIPA surveillance by councils subject to magistrates' approval. Even if such investigations were permissible it is likely they would be costly to undertake.

There is also a risk that unoccupied properties will be allowed to deteriorate to a condition deemed uninhabitable by the Valuation Office Agency and therefore removed from the valuation list for council tax. In such circumstances it becomes much more difficult for authorities to apply pressure on the owner to return the property to occupation.

The Government should work with the Valuation Office Agency and billing authorities to find ways of identifying empty properties and limiting the removal of properties from the valuation list.

16. Do you agree that Section 66(2C)(a) should be amended along the lines suggested?

We support the suggested amendment outlined in the consultation paper.

17. Do you agree that the default pattern of Council Tax bill instalments should be payment by 12 monthly instalments (with other arrangements to be reached by agreement between taxpayer and billing authority)?

We do not support this proposal. It contradicts the principles of greater freedom for local authorities proposed in other parts of the consultation. The consultation acknowledges that Schedule 1 of the 1992 Regulations already allows authorities to agree with residents for payment to be made in other ways than the usual ten instalments. In circumstances where particular taxpayers are having difficulty paying in ten instalments, billing authorities should offer alternative payment plans. However, we do not believe it is appropriate for the Government to prescribe the number of instalments in Regulations.

The current ten month pattern improves authorities' cashflow position and enables any excess funds to be invested in short-term deposits to earn interest, thus reducing pressure on council tax levels. A twelve month plan would undoubtedly adversely affect in-year collection rates, which are currently very high. At a time when other significant changes are being made to the local government finance system, including the proposed localisation of council tax support, we believe this change would put further and unnecessary pressure on our resources.

- 18. Do you agree that billing authorities should be able to discharge their duty to provide the information that must currently be supplied with demand notices by publishing it online (with the exception of information relating to penalty charges, and subject to the right of any resident to require hard copy)?**

We support this proposal as it provides authorities with greater freedom and, should authorities decide not to send such information, will generate cost savings. Nevertheless, councils which choose to continue sending such information in hard copy format should not be subject to criticism from Government.

- 19. Do you agree that domestic scale solar photovoltaic installed on dwellings should be treated as part of those properties?**

We support this proposal.

- 20. Do you agree that domestic scale solar photovoltaic should be defined as installations having a maximum generating capacity of 10kW?**

We support this proposal.

- 21. In what circumstances if any do the rules requiring the separate banding of self contained units of accommodation within a hereditament give rise to unfairness?**

We believe it is neither sensible nor realistic to expect owners to have to undo physical alterations in order for a self contained unit within a hereditament to be treated as a single dwelling.

- 22. Should the Government seek to make changes to these rules, and if so, what changes?**

We believe that if the self contained unit is no longer in use for its original purpose and is not likely to be used for such a purpose in the future, the rules should take this into account. However, there is clearly a potential for fraudulent claims and therefore consideration should be given on a case-by-case basis.