

Technical Reforms of Council Tax

Background

The Coalition Government has proposed and consulted on making changes to the council tax system, including giving local authorities more flexibility on which discounts they can charge on second homes and certain empty properties. This is part of the Government's drive to decentralise control over local government finance, giving local authorities more local control to help them keep council tax down and provide stronger levers to make sure that the housing stock is effectively utilised.

The Technical Reforms proposed from 2013/14 are set out below. It is up to local council's to decide which changes they want to implement locally. The below analysis illustrates possible changes and the resulting approximate increase to the Council Tax net collectable debit based on current awards. This can be seen as additional income if the debt can be collected in full.

Proposed Changes

- Second homes may be granted a discount of between zero and 100%.
- A property undergoing major repair (Class A exemption) – the council may charge up to 100%.
- If your property is unoccupied and is substantially unfurnished, the council may grant a discount of between zero and 100% known as class C.
- Long term empty properties may be charged a premium of up to 50%

Summary Table of Estimated Additional Income if all current exemptions and discounts are set at 100% for 30 days and then set at zero from day 31:

Proposed Change	Potential Additional Income
Second Homes	18k
Class A – undergoing major repair	82k
Class C – unoccupied and unfurnished	763k
Long Term Empty Properties	27k

Second home discounts

The Government confirms its intention to amend secondary legislation to allow billing authorities to levy up to 100% of council tax on second homes.¹ Currently a 10% discount is granted for these properties. There are 413 properties granted a second home discount in Barking and Dagenham. This represents a small percentage of the overall property base (0.3%). Therefore any change has a minimal impact. It is estimated that £18K could be raised if the 10% discount was granted for 30 days and then removed. If this decision was made by LBBDD then Elevate would need to write to all current recipients of the discount and the award ended automatically on the 30 March 2013. Cost of additional letter would be approximately £500. The additional charge must then be collected.

Empty property undergoing major repairs - Class A exemptions

The government confirmed its intention to abolish the existing Class A exemption and replace it with a discount that local authorities could set between zero and 100%. The maximum period for which the discount may apply will be one year and there will be no discretion allowing a local authority to extend the time period.

There are 124 properties with a Class A exemption with a total value of £83k. If the exemption is limited to 30 days and then removed an estimated £82k in potential additional income would be seen.

If Barking and Dagenham chose to amend this discount to 30 days all current recipients will be written to and the exemption ended on the 31 March 2013. Currently properties that are under refurbishment are visited by Elevate which will no longer be required. This will reduce administrative overheads but the additional charge must be collected which will offset these savings.

As one of the Council's objectives is to supply the borough with more affordable housing for local residents, with a particular focus on family-sized houses, it is recommended that the new discount be set to zero after 30 days encouraging landlords to bring their properties back into use in the shortest period of time, maximising potential income for the Council and reducing administrative costs of visiting exempt properties.

If all exemptions and discounts were removed under these changes then it could be argued that landlords would be encouraged to rent out or live in properties in the borough, reducing the number of empty homes, as there will be no benefit in leaving homes empty from a Council Tax view point.

¹ The second home discount was originally set by legislation at 50% and Authorities were given the power to reduce to 10% in 2003. The discount was set at a minimum of 10% in Barking and Dagenham as it was felt that if no discount existed then there would be no incentive for residents to inform the council of their second home.

Vacant dwellings Class C exemptions

Currently properties that are left empty and unfurnished qualify for a 6 month exemption. If the property remains empty after this period it attracts an empty discount which is 10% in Barking and Dagenham.

The total number of properties within Barking and Dagenham that received this exemption is 2,662 with a total value of £763K. LBBB properties accounts for £185,520 of this value.

The Government is proposing to abolish this exemption and replace it with a discount of up to 100%. It is proposed that this exemption be replaced with a 100% discount for 30 days with an estimated £746k in potential additional income

Currently all empty properties are visited by Elevate on a quarterly basis to ensure that any new liable occupants are identified as early as possible. Should the exemption be replaced with a discount for 30 days it will no longer be necessary to identify and subsequently visit these properties. The owner will be charged and it will be in their best interest to advise Elevate of new occupants. Elevate currently employ an inspector to carry out these visits and this resource could be utilised elsewhere. Also the reduction in applications for this exemption will reduce the administrative burden on the service.

Empty homes premium

The Government proposes to allow local authorities to charge a premium of up to 50% for properties left empty for over 2 years.

The total number of properties classed as long term empty within the borough is 86 with a value of £27K.

Although the number of potential properties affected will be relatively low, there will be a requirement for Elevate to identify empty properties and collect the premium. There may also be additional appeals to the Valuation Tribunal, requiring further work.