



Leicester
City Council

WARDS
AFFECTED
All Wards

COUNCIL

24 JANUARY 2013

COUNCIL TAX – TAXBASE AND EMPTY PROPERTY DISCOUNTS

REPORT OF THE DIRECTOR OF FINANCE

1.0 PURPOSE AND SUMMARY OF REPORT

- 1.1. The City Council is required to set a “taxbase” by 31st January 2013 for the purpose of setting its council tax. This is, in effect, the number of properties in the City on which council tax is charged. It also enables the police and fire authorities to set their precepts. This report details the recommended taxbase for the financial year 2013/14.
- 1.2. The report also requests the Council to determine the level of discounts affecting certain classes of empty properties and second homes in line with the new flexibilities introduced by the Government from 1st April 2013.

2.0 RECOMMENDATIONS

- 2.1 The Council is recommended to endorse a taxbase for 2013/2014 of 62,070 properties expressed as the equivalent number of “Band D” properties.
- 2.2 The Council to determine the level of discounts as specified in 3.9 below.

3.0 REPORT

- 3.1 The council tax base for the purposes of calculating the Council’s and major precepting authority’s council tax, is effectively the taxable capacity of an area. For council tax purposes, all properties are put into one of eight bands (A to H) by the Valuation Office Agency, an executive agency of HM Revenue and Customs. The occupiers of Band A properties pay the lowest council tax while those in Band H properties pay the highest.
- 3.2 The taxbase is the number of properties in the City on which Council Tax is charged but expressed as if all properties were in Band D. As most properties

in Leicester are in Bands A or B the number of Band D equivalent properties is less than the actual number of properties in the City.

3.3 Compared to previous years, the tax base for 2013/14 has two additional adjustments:

1. Council tax reduction (support) scheme, which replaces council tax benefit, is taken out of the calculation. This becomes a local discount and a direct grant is received from government, which will be lower than the current total amount received for council tax benefit. The scheme is the subject of a separate report to Council.
2. The taxbase is increased to take account of the flexibility now given to vary local discounts applying to certain classes of empty properties. This flexibility has been applied to:
 - Award no discount, following the removal of the exemption on vacant dwellings where major repair works or structural alterations are required, underway or recently completed (previously ran for a maximum of one year);
 - Award a full discount for one calendar month following the removal of the six months' exemption on vacant and substantially unfurnished properties;
 - Remove the discount on second homes (currently 10%);
 - Apply a premium of 50% on properties that are empty (and unfurnished) for two years or more.

For both of the above adjustments a provision has been made for future changes and non-collection of the additional debt raised.

3.4 Appendix 1 to the report details how the properties are converted to Band D equivalents. The appendix also details how the Band D equivalent figure is reduced to take account of changes in the taxbase after it has been set (e.g. in the number of discounts and exemptions awarded) and the anticipated collection rate.

3.5 Collection performance has been improving in recent years. Furthermore, Leicester has seen continual growth in new building, which has resulted in increased council tax yields during the course of each recent year. This has, however, been offset by increases in exemptions granted during the year. Given the continuing economic uncertainty facing Council Tax payers in the City, it is recommended that a provision of 2.25% for most debt is retained for 2013/14. Separate provisions are recommended in respect of taxpayers paying increased tax due to the welfare reforms; and to allow for behavioural change arising from the empty property charges. These provisions of 30% and 20% respectively reflect the perceived difficulties in the collection of additional debts raised due to the introduction of our local council tax scheme and the expectation that new empty property charges will encourage owners to bring them back into use more quickly.

3.6 In the longer term, the level of provision required may be reduced but only in an environment when the property numbers are stable and the economy is on a normal footing. Further, the other changes mentioned above will take a while before they are fully embedded.

3.7 The outcome is a taxbase for the setting of the Council Tax of 62,070. On a normal basis and prior to any of the other changes mentioned above, there is

an increase from 2012/13 (79,750) of 584 Band D equivalent properties. This is mainly due to an overall increase in the numbers of properties in Leicester.

3.8 Additional income will be raised following the flexibilities introduced by Government from April 2013, which affect certain classes of empty properties and second homes. These flexibilities, however, have to be balanced against administrative difficulties, behavioural changes and potential collection issues

3.9 The following recommendations are now put forward for Council approval:

1. Class A exemption that runs for twelve months and applies to empty dwellings, which are uninhabitable and undergoing major repair works, has been abolished. Councils have the power to award a discount which may be set at 100% or any lower percentage for such properties. The recommendation - to award no discount.
2. Class C exemption which is awarded for six months where properties are unoccupied and unfurnished has been abolished. Councils have the power to award a discount which may be set at 100% or any lower percentage for such class of properties. The recommendation - to award a full (100%) discount for one calendar month and the full charge to be payable thereafter.
3. Councils have the authority to levy the full Council Tax on second homes/un-occupied furnished properties (Class B Discount). Currently the discount in Leicester is 10%, which is the minimum we can award. The recommendation - to award no discount.
4. From April 2013 Council will be allowed to levy an empty property premium in respect of properties that have been vacant and unfurnished for at least two years. The recommendation - to apply a 50% premium on properties that have been empty and unfurnished for two years or more.

4 FINANCIAL, LEGAL AND OTHER IMPLICATIONS

4.1 Financial Implications

4.1.1 The Council Tax Base for the year 2013/14 must be calculated in accordance with legal regulations.

4.1.2 The report details the taxbase on which the Council Tax for the City Council is charged. The taxbase also determines the proportion of the levy charged to the City Council from the Environment Agency as well as the precept to the Office of the Police and Crime Commissioner (OPCC) for Leicestershire and the Combined Fire Authority. The taxbase has a direct effect on the level of Council Tax levied for 2013/2014.

4.1.3 As this report affects the level of Council Tax in 2013/14, Section 106 of the Local Government Finance Act 1992 applies. Where a member is at least two months in arrear in payment of their Council Tax, the member must not vote on any report that relates directly to the setting of the Council Tax.

4.1.4 It is also to be noted that in relation to the introduction of the Business Rates Retention Scheme from April 2013, our provisional estimate of the total income

(net rate yield) for 2013/14 is £96.711m of which our share is £47.388m. This is currently under review in the light of new regulations.

4.1.5 The new level of discounts (per 3.10 above) will potentially raise additional income of £1.78m. This will help offset the extra costs falling on the Council as a consequence of the council tax support scheme.

4.1.6 Introduction of the new council tax support scheme will result in a net cost to the Council of £1.7m, plus extra provision for hardship. This is after taking account the amounts due from people previously in receipt of benefit.

4.2 Legal Implications

4.2.1 As previously indicated, under Local Government Finance Legislation, the Council must set its tax base for the forthcoming financial year by 31st January. This report complies with the requirements of the Local Government Finance Act 1992 as amended and the Local Authorities (Council Tax Base) Regulations 2012.

4.2.2 The suggested revisions to discounts are permissible following the enactment of the Local Government Finance Act 2012.

4.2.3 Changes in the legislation mean that setting the council tax base no longer requires full Council approval and the Director of Finance will put in hand work to amend the Council's constitution so that future approval of the Council's council tax base will be a matter for the Executive. Setting the Council Tax remains a Full Council function.
(Anthony Cross, Head of Law)

4.3 Climate Change and Carbon Reduction Implications

4.3.1 This report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council's climate change targets.

4.4 Equality Implications

4.4.1 Prior to the new regulations affecting discounts and exemptions, there has been no need for the council to collect personal information on those in receipt of such discounts/exemptions. There is no data available to determine the protected characteristics of those property owners affected by the changes. Therefore, no assessment can be made of which protected characteristic is affected. However, as a result of these changes, the council will begin to monitor those affected and ask them to provide their equality profile. The protected characteristics of those affected can then be identified, and any adverse impacts for particular protected groups can be identified and mitigating actions considered to reduce any adverse impacts arising from the changes.

5. Background Information and Other Papers

- 5.1 Local Government Finance Acts 1988 and 1992
- 5.2 The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012
- 5.3 Return to the Department of Communities and Local Government – October 2012 – CTB; recalculated December 2012
- 5.4 Schedule 1 (Draft) Non-Domestic Rating (Rates Retention) Regulations
- 5.5 The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012
- 5.6 The Council Tax (Exempt Dwellings) England (Amendment) Order 2012

6. Summary of Appendices

- 6.1 Appendix 1: Council Tax – Taxbase
- 6.2 Appendix 2: Equality Impact Assessment - Technical changes affecting discounts and exemption on empty domestic properties.

7. Report Authors

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COUNCIL TAX – TAXBASE

APPENDIX 1

<i>DESCRIPTION/BAND</i>	<i>Band A-*</i>	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>	<i>G</i>	<i>H</i>	<i>TOTAL</i>
Dwellings in the Valuation List		76,982	25,066	15,209	6,610	3,114	1,419	603	59	129,062
Net adjustment for Disabled Reduction and Demolished	181	-7	-25	-85	-22	-15	-6	0	-21	0
TOTAL NUMBER OF PROPERTIES	181	76,975	25,041	15,124	6,588	3,099	1,413	603	38	129,062
Full Charge	134	38,422	15,695	10,229	4,511	2,393	1,157	476	20	73,037
Discount - 10%	0	474	230	104	63	27	5	3	1	907
Discount - 25%	44	32,631	7,296	3,425	1,203	454	190	64	2	45,309
Discount - 50%	3	87	33	27	19	30	29	38	11	277
Exempt	0	5,361	1,787	1,339	792	195	32	22	4	9,532
TOTAL NUMBER OF PROPERTIES	181	76,975	25,041	15,124	6,588	3,099	1,413	603	38	129,062
Total Equivalent Properties	168.50	63,365.35	21,390.50	12,904.85	5,479.45	2,772.80	1,318.50	545.70	27.90	107,973.55
Ratio to Band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalent	93.6	42,243.6	16,637.1	11,471.0	5,479.5	3,389.0	1,904.5	909.5	55.8	82,183.6
Less Provision (2.25%)										1,849.6
Gross Taxbase**										80,334.0
Less Council Tax Reduction Scheme Estimate**		13,786.1	2,662.8	1,395.4	398.3	150.5	56.1	9.4	0.0	18,458.6
Less Provision** (30% of new debt raised from the introduction of Council Tax Reduction Scheme)										1,031.4
Plus Council Tax Technical Changes Estimate**										1,532.8
Less Provision** (20% of new debt raised due to Council Tax Technical Changes)										306.8
Taxbase for Council Tax Setting**										62,070

*Band A entitled to Disabled Relief **Expressed as band D equivalent properties

10% Discount

25% Discount

50% Discount

Exempt

Council Tax Reduction Scheme

Council Tax Technical Changes

- Unoccupied but furnished property

- Mainly dwellings occupied by one person

- Mainly hostels or dwellings solely occupied by people severely mentally impaired

- Mainly dwellings occupied solely by students or property empty for up to 6 months

- Replaces Council Tax Benefit, paid as direct grant

- Changes to empty property discounts and exemptions, leading to new and higher level chargeable properties.