

Briefing

Council tax changes

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1.0 Changes

Currently, local authorities receive full funding from central Government for Council Tax Benefit. From April 2013 this refund will be replaced by a grant that will not be ring-fenced. Therefore local authorities will be free to design a system for how these newly localised council support schemes will be provided.

This grant is expected to leave local authorities with a 10% funding gap when compared to the current refund system. Additionally the Government has said it will protect existing and new qualifying pensioners from any changes to the level of support that the local authority may wish to make. Local authorities may also choose to protect other 'vulnerable' groups; however the eligibility criteria for 'vulnerable' will no longer be defined by Government but by local authorities. Consequently these changes are expected to result in significant decrease in the amount of support for working age claimants.

From April 2013 local authorities will also have new freedoms to charge council tax on empty properties. Local authorities are likely to seek to maximise income from new flexibilities they have to charge council tax – for example on second and empty homes. Housing associations should be aware that some of these charges may fall to landlords.

The structural changes to Council Tax including exemptions, have yet to go through in legislation so local authorities are starting to design schemes without the final legislation being in place. The Government expect to achieve royal assent on the Local Government Finance Bill which contains these changes in November 2012.

2.0 New freedoms for local authorities to charge council tax – from April 2013

The Government is allowing local authorities freedom to charge council tax immediately on both vacant dwellings where major repair works or structural alterations are required (Class A)¹ and other vacant dwellings awaiting re-let (Class C). Currently Class A dwellings are exempt for up to 12 months and Class C for up to 6 months. The local authority will be able to charge between 0 – 100% of council tax and as the property is vacant the landlord will be liable for the charge.

¹ For a full list of bands see the technical consultation which closed December 2011
<http://www.communities.gov.uk/publications/localgovernment/technicalreformcounciltax>

The Government has also confirmed that it intends to proceed with the empty homes premium payable after a dwelling has been empty for two years. The maximum premium which an authority will be able to charge will be 50 per cent. So these properties will be subject to up to 150% charge. It will be for individual billing authorities to design their own schemes for applying the Premium in their local area. As part of this, they will determine both the circumstances in which it may be charged, and the level at which it will be set. The Government is currently consulting on the circumstances where it should set out exceptions to this premium – ie circumstances where local authorities will not be able to apply the premium.²

The Government is not proposing to change any of the other categories of exemption for council tax including exemptions for student housing and where a property is empty after a death, or the occupant is in hospital. Charitable associations should be able to claim Class B exemption on dwellings vacant for up to 6 months. Class B covers: an unoccupied dwelling owned by a body established for charitable purposes and was last occupied in furtherance of charity objectives and less than six months have elapsed since last occupied.³ Band B is not a straightforward tight definition.

Class B exemption is currently rarely used because Class A and Class C are in existence. It is used for fully furnished accommodation operated by charities (for example refuges) but housing associations and local authorities may not be familiar with arguments for exemptions under Class B for general needs properties. These are set out below;

Most Federation members are Industrial and Provident societies and as such are exempt charities. They do not need to be registered (and cannot) with the charity commission as there is a principal regulator in the Homes and Communities Agency. This is set out in the Charities Act. Other categories of exempt charities include universities and national museums. Exempt charities are therefore charities as they have to fulfil charitable purposes e.g. the public benefit test etc. They are just not regulated by the Charity Commission.

3.0 Local consultation

Local authorities are required to consult on their plans for how to allocate their funding for Council Tax rebates. This provides the opportunity for housing associations to have a voice in shaping individual local authorities' proposals. The guidance from Government is explicit:

² For a copy of this consultation see <http://www.communities.gov.uk/publications/localgovernment/emptyhomespremium>

³ The Council Tax (Exempt Dwellings) Order 1992

“When consulting on reduction schemes billing authorities should ensure all interested parties are able to give their view and influence the design of the reduction scheme⁴.”

Additionally, it is recommended that the consultation period should be no less than 12 weeks. As localised council support schemes must be finalised by the 31st January 2013 and some consultations are already complete or underway, with exact timelines being set by individual authorities.

4.0 Potential impacts for housing associations and tenants.

- As low income working and non-working households budgets are pressurized, any reduction in Council Tax Benefit could have a knock-on impact on rent arrears.
- The further pressure on household finances from any cuts that are introduced has the potential to push more families into poverty. Possible changes to eligibility criteria such as a decreased savings threshold, increased reductions for non-dependant contributions, abolition of a second adult rebate and reducing the income disregard will have an impact on budgets.
- Housing associations with stock in more than one local authority may find that tenants with similar circumstances but located within different local authority areas may be entitled to different levels of support. Additionally, working age people living in areas with large numbers of people over pension credit age and other identified ‘vulnerable’ groups are likely to face the greatest cuts. Dramatic changes in a local economy, such as a factory closure, could result in a surge of benefit claimants with local authorities having to respond accordingly.
- Housing association benefit advice officers and other key staff, with stock in more than one local authority, will require sound knowledge of multiple local schemes and their individual eligibility criteria.
- Within the current financial climate, many local authorities are under extreme pressure to deliver services with limited resources. As the new fund will no longer be ring-fenced there is a concern that some of this money could be diverted to other local priorities.

⁴ *Localised Support for Council Tax: A Statement of Intent*, Department of Communities and Local Government (2012).

5.0 Federation Response

Housing associations have an in-depth understanding of the circumstances of the households and communities where they work, and are well-placed to support local authorities making difficult decisions about how to design a new local system. We are encouraging local authorities to engage actively with our members as they decide their Council Tax policies. We would also urge members to contact their local authority if they wish to influence the shape of local schemes. The following aspects of local policy are key:

- Level of support offered
- How are 'vulnerable' people under pension credit age defined?
- How will people of all ages be encouraged to apply for support with Council Tax?
- How will the local authority use its discretion to apply 0 – 100% liability for council tax Class A and C vacant dwellings?
- Give local re-let times within social housing should social landlords be billed from day one of a vacant property? Short re let times will mean a large number of bills for very small amounts of money.
- Are there barriers to reducing re let times that are out with the control of the social landlord – for example choice based lettings?
- Once a property is vacant will the landlord be billed for the remainder of the year?
- How will local policies impact on landlords operating in areas of major regeneration for example where properties are awaiting demolition?
- How will local policies impact on the ability of housing associations (whether charitable or non charitable) to deliver local housing priorities?
- Is there a level playing field between different social housing providers including any retained local authority landlords?