

**REPORT OF: FINANCIAL SERVICES MANAGER**

**TO: EXECUTIVE**

**DATES: 25<sup>th</sup> AUGUST 2016**

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## **REVIEW OF COUNCIL TAX DISCOUNT (FORMERLY THE 'CLASS C' EXEMPTION)**

### **PURPOSE OF REPORT**

This report is provided in response to a request from the Executive to review the former council tax discount of 50% which was implemented in Pendle on the abolition of the former 'Class C' council tax exemption in 2013. This discount was subsequently reduced to zero with effect from 1<sup>st</sup> April 2015.

### **RECOMMENDATION**

The Executive is recommended to reintroduce a council tax discount on dwellings which are empty and substantially unfurnished on the basis outlined in paragraph 9 of this report.

### **REASON FOR RECOMMENDATION**

At the request of the Executive and to allow owners of empty and unfurnished properties limited relief from the payment of council tax.

### **ISSUE**

1. Prior to April 2013 property owners whose property was vacant and substantially unfurnished were entitled to an exemption from council tax. Under this exemption the owner had their council tax reduced by 100% for a period of up to six months. This was referred to as the 'Class C' exemption – one of a range of exemption classes applicable under council tax legislation.
2. The Local Government Finance Act 2012 abolished the Class C exemption and replaced it with a power that allowed councils the discretion to set a discount in the range 0% to 100%, having regard to local circumstances.
3. In response, the Council agreed in December 2012 to replace the former Class C *exemption* with a 50% *discount* for up to 6 months. This discount was implemented with effect from 1<sup>st</sup> April 2013 and remained in place until 31<sup>st</sup> March 2015.

4. In February 2015 the Council agreed to abolish the discount as part of a wider package of savings measures when setting the overall budget and council tax for 2015/16.
5. When approving the Council Tax Base for the current year the Executive resolved as follows:  
*That the Financial Services Manager assess and report on the feasibility and implications of reintroducing a short term (maximum of 8 weeks) Class C discount for vacant properties and how this may be funded.*
6. The following sections address the above resolution:

- *Feasibility*

The Council has the discretion to introduce a discount along the lines proposed in the above resolution. Provision is contained within the Local Government Finance Act 2012 as referred to in paragraph 5 of this report. However, any determination to vary the discount must be made in advance of the relevant financial year i.e. any changes agreed as a result of this report would apply from 1<sup>st</sup> April 2017;

- *Implications*

Following its removal from 1<sup>st</sup> April 2015, it is difficult to predict the implications of reinstating the discount as now proposed. However, when the discount was in force for the two years from 1<sup>st</sup> April 2013 the associated costs were as follows:

2013/14	£316,690
2014/15	£357,800

In each of the years above the level of discount was 50% for periods up to 6 months. What is proposed in this report is to reinstate the discount but at 100% for a limited period of 4 weeks only (i.e. equivalent to 8 weeks at 50%).

Taking the cost from 2014/15 as a guide and uplifting this for changes in council tax in the period to-date would imply a projected full year cost of £381,460 for an equivalent level of discount. Adjusting this to reflect the shortened period of discount now proposed would result in an estimated cost of £117,370.

This cost would be shared between Pendle, as the council tax billing authority, and the major preceptors in proportion to their respective share of the overall council tax precept. In 2016/17 the respective proportions are Pendle 17%, County Council 69%, Fire 4% and Police 10%. *Hence the annual cost to Pendle of re-introducing the former Class C discount at 100% for periods up to 4 weeks is estimated at c£20k.*

7. The earliest the discount could be implemented is the 1<sup>st</sup> April 2017 as any discount must be agreed before the beginning of the financial year to which it applies. If agreed, the discount will be taken in to account when setting the Council Tax Base for 2017/18 and it is expected that this will be reported for approval to the Executive in December.
8. The cost of the discount as outlined in paragraph 9 above would be borne initially by the Collection Fund, being the separate account maintained for the collection of council tax and business rates. Any variation on the above analysis would be reflected in the collection fund surplus or deficit position at the end of the financial year. Any balance on the collection fund in respect of council tax is shared between Pendle and the major preceptors in the proportions referred to above. Pendle's share of any surplus or deficit would form part of the annual revenue budget calculation.

9. Subject to approval by the Executive, the following arrangements are recommended for the financial year commencing 1<sup>st</sup> April 2017:

- The former Class C exemption/discount be reinstated at **100%** for dwellings that are empty and substantially unfurnished;
- The discount to apply for a maximum period of **4 weeks** from the date the dwelling first becomes empty (after 1<sup>st</sup> April 2017, i.e. no retrospective application); a period of 4 weeks is proposed as it is considered this will incentivise landlords in particular to return their properties to occupation;
- The discount will not apply to dwellings classed as 'long-term' empty properties; these shall continue to incur a council tax premium of 50%;
- The impact of the scheme will be monitored and a review undertaken during 2017 to inform the calculation of the council tax base for 2018/19.

## **IMPLICATIONS**

### **Policy**

The reinstatement of the former Class C discount represents a change in Council policy.

### **Financial**

These are as outlined in the report above.

### **Legal**

The Local Government Finance Act 2012 enables local authorities to exercise discretion in relation to the application of council tax discounts having regard to the circumstances of their local area and housing market.

### **Risk Management**

The main risk is likely to stem from initial uncertainty regarding the impact of reintroducing the discount. This will be subject to regular monthly monitoring as part of the current budgetary control framework. A review will be undertaken and reported to the Executive in December 2017 when setting the council tax base for 2018/19.

### **Health and Safety**

There are no health and safety implications arising directly from the contents of this report.

### **Sustainability Implications**

There are no sustainability implications arising directly from this report.

### **Community Safety**

There are no community safety issues arising directly from the contents of this report.

### **Equality and Diversity**

There are no equality and diversity implications arising from the contents of this report.

## **APPENDICES / LIST OF BACKGROUND PAPERS - None**