

<b>Key Decision Required:</b>	<b>Yes</b>	<b>In the Forward Plan:</b>	<b>Yes</b>
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## CABINET

**9 NOVEMBER 2018**

### REPORT OF THE HOUSING PORTFOLIO HOLDER

#### **A.7 THE LOCAL COUNCIL TAX SUPPORT SCHEME, DISCRETIONARY COUNCIL TAX EXEMPTIONS / DISCOUNTS FOR 2019/20 AND ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT 2019/20**

(Report prepared by Richard Barrett)

#### **PART 1 – KEY INFORMATION**

##### **PURPOSE OF THE REPORT**

To enable Cabinet to consider and agree for recommending to full council the following:

- Local Council Tax Support Scheme 2019/20 (including associated exceptional hardship policy)
- Discretionary Council Tax Exemptions and Discounts 2019/20
- Annual MRP Policy Statement for 2019/20

##### **EXECUTIVE SUMMARY**

- This report outlines the proposed Local Council Tax Support (LCTS) scheme and Council Tax exemptions and discounts for 2019/20.
- Given the on-going impact on residents from welfare reforms, including universal credit, it is proposed to continue with the principle highlighted last year of providing some financial stability to Tendring claimants by keeping the LCTS scheme for 2019/20 the same as this year. The current scheme provides for a maximum discount of 80% for working age claimants.
- The associated exceptional hardship policy has also been reviewed for 2019/20 and it is not proposed to make any changes from the scheme operating this year and so remains available to support eligible claimants over the year.
- In respect of discretionary council tax discounts and exemptions for 2019/20, it is proposed to continue with the same level of discounts as agreed for 2018/19 that were approved by Full Council in November 2017.
- The Annual Revenue Provision Policy Statement has also been reviewed for 2019/20 with no changes proposed although attention is drawn to the fact that this may need to be reviewed at some point in the future in light of the Garden Communities project that continues to be developed.
- If it is agreed that no changes are necessary to the proposed LCTS scheme, there will be no need for public consultation. However, if any amendments are proposed and approved at Full Council on 27 November 2018, then public consultation will be required before the final scheme can be agreed and adopted. Consequently, if consultation is

required, this Council will have to notify the precepting authorities that the final Council Tax base will be delayed and not available until late in the budget cycle.

- Given the recommendation to continue with the existing LCTS scheme, it is not proposed to formally refer it to the Resources and Services Overview and Scrutiny Committee, but it will be considered by Full Council on 27 November 2018.

## **RECOMMENDATION**

### **It is recommended:**

- a) That Cabinet agrees that the LCTS scheme will remain the same as the current year, as set out as Appendix A and recommends to full Council:**
  - i) that the LCTS set out as Appendix A be approved with the maximum LCTS award being 80% for working age claimants.**
  - ii) that subject to a)i) above, delegation be given to the Deputy Chief Executive in consultation with the Housing Portfolio Holder to undertake the necessary steps to implement the LCTS scheme from 1 April 2019;**
- b) that Cabinet agrees the Council Tax Exceptional Hardship Policy as set out in Appendix B;**
- c) that Cabinet agrees that the discretionary Council Tax exemptions and discounts remain unchanged in 2019/20, which are set out in Appendix C, and recommends the same to full Council for approval:**
  - i) that subject to c) above, delegation is given to the Deputy Chief Executive in consultation with the Housing Portfolio Holder to undertake the necessary steps to implement the Council Tax exemptions and discounts from 1 April 2019; and**
- d) Cabinet recommends to Council that the Annual Minimum Revenue Provision (MRP) Policy Statement for 2019/20 as set out in Appendix D be approved.**

## **PART 2 – IMPLICATIONS OF THE DECISION**

### **DELIVERING PRIORITIES**

In developing a local scheme the Council must be mindful of their duties to vulnerable groups, and Council Tax payers set against the Council's overall financial position.

### **FINANCE, OTHER RESOURCES AND RISK**

#### **LCTS scheme for 2019/20**

LCTS is treated as a discount within the council tax calculations which means that the Council's taxbase is reduced (as will the taxbase for County, Fire and Police and Parishes).

Although the link to funding coming from the Government via the Revenue Support Grant has weakened over time as that grant continues to be phased out by 2019/20, the cost of the LCTS scheme needs to be considered in the context of the Council's overall budget position like any other area of the Council's expenditure / income.

There is some logic in arguing that the same level of reductions in revenue support grant year on year should be 'passported' across to the LCTS scheme and therefore reduce the support available in line with those reductions. However as has been the case in previous years, for 2019/20 it is proposed to protect the current position with the scheme proposed remaining unchanged from 2018/19 where a maximum discount of 80% can be awarded to working age claimants, the cost of which can be accommodated within the Council's overall budget position.

As at the end of September, the total estimated annual 'cost' of the LCTS scheme in 2018/19 is **£11.467m**, with approximately 10% of this amount (**£1.147m**) falling to TDC with the remainder being met by the major preceptors. It is also worth highlighting that for every 5% decrease / increase in the discount the council would gain / lose approximately **£50,000** per year.

For information, the following sets out the total cost of the LCTS scheme over recent years, which shows a trend of year on year reductions in the overall cost of the scheme:

2015/16 - £11.725m  
2016/17 - £11.577m  
2017/18 - £11.362m  
2018/19 - £11.235m (forecast outturn)

### **Council Tax Hardship Scheme**

The Council has operated a council tax exceptional hardship policy since the inception of the LCTS scheme with the total cost of the scheme over recent years as follows:

<b>Year</b>	<b>Applications Rec'd</b>	<b>Amount Awarded</b>
2014-2015	46	£12,838.84
2015-2016	24	£5,201.73
2016-2017	27	£15,572.85
2017-2018	47	£22,777.71

As highlighted during the previous review of the policy, as with any exceptional hardship scheme, it is difficult to define exceptional hardship or descriptive criteria that will apply as there may be a number of variables to consider when an application is made. However the policy continues to set out broad guidelines, which promotes transparency and openness in the Council's decision making processes. The policy also has a focus on 'reasonable' expenditure and affordability for the claimant and is based on evidence that they are also being proactive themselves in managing the situation. This mirrors the same approach being applied to discretionary housing payments where in consultation with the Department for Works and Pensions, support is focused on those claimants who are seeking employment for example.

The policy also highlights that a senior officer will review all decisions to demonstrate fairness and consistency to the application process.

The cost of the exceptional hardship scheme is met by contributions from TDC and the major preceptors based on their respective proportion of the overall Council Tax bill. Therefore TDC is required to meet approximately 10% of the cost of any award up to an annual aggregate total of **£23,833**. For any awards over and above this annual amount, 100% of the cost is met by TDC in accordance with the wider council tax sharing agreement with the major preceptors.

As no changes are proposed to the policy in 2019/20, no additional costs over above those included within existing budgets are expected

### **Council Tax exemptions and discounts for 2019/20**

It is proposed to keep the level of exemptions and discounts at the same level as 2018/19 which are as follows:

Class A – Unoccupied and furnished dwellings with a planning restriction preventing occupation for at least 28 days.

- **0% discount** (on the days when the property cannot be used due to a planning restriction an exemption is allowed under Class G).

Class B – Unoccupied and furnished dwellings without a planning restriction preventing occupation for at least 28 days.

- **0% discount**

Class C – Unoccupied and substantially unfurnished dwellings.

- **0% discount**

Class D – Unoccupied and unfurnished requiring major repairs or alterations.

- **100% discount**

By leaving the current level of discounts / exemptions unchanged it supports the Council Tax base which is one of the Council's core income streams especially as the revenue support grant decreases year on year. It is worth highlighting that for every 10% increase in any one class of discount, the Council would lose up to approximately **£25,000** per year income.

Council tax Income raised from the above locally determined discounts also has the additional benefit of increasing the contribution receivable from the major preceptors under the current council tax sharing agreement which is based on total council tax income collectable.

As highlighted in previous years, the Council does receive feedback from residents such as owners of empty and furnished properties and those who occupy caravans and chalets on caravan parks. A number of owners of empty and furnished properties consider it to be unfair that they are charged 100% for a property that demands little from local services while a single occupant of the property receives a 25% discount. However, this approach supports the principle of reducing the number of empty properties and therefore does not necessarily directly link the amount paid to the services received.

The Council also receives feedback from owners / occupiers of caravans / chalets within caravan parks in Tendring who cannot occupy their properties due to lease restriction imposed by the private owners of the sites. They suggest that it is unfair to have to pay council tax for these periods. However this needs to be considered against the periods that they cannot occupy their properties due to planning restrictions which already attract a discount equivalent to the period that they cannot use their properties for. Although the position across Tendring will differ between caravan sites, the feedback received to date relates to where the period restricted by the private landlord of the site is longer than the period restricted via the planning process. It could therefore be argued that the issue is between the owner/occupiers and their landlord rather than the Council being asked to consider a local discretionary discount. The

scale of the issue across Tendring is difficult to determine, as such restrictions could apply to other properties and not just caravans / chalets. Although there is continued sympathy for the issue faced by effected owners / occupiers, it is considered a matter for them to resolve with their landlord.

### **Minimum Revenue Provision Policy Statement (MRP)**

In respect of the annual MRP policy statement, this sets out how the Council will make provision for the repayment of loans taken out to finance capital investment. For the General Fund, the MRP is a direct charge on the revenue budget. At present no MRP over and above the amount of principal being repaid is calculated for the Housing Revenue Account capital investment, although future provision will be considered within the business planning process in future years.

### **Other Financial Considerations**

Although changes to the New Homes Bonus (NHB) were introduced by the Government in 2017/18, a factor in the calculation of any NHB due to the Council is the number of empty properties. The more empty properties there are will therefore have an impact on the NHB receivable.

In terms of the Council's overall collection fund performance to date, at the present time it is forecast that the overall amount of council tax collected for the year will be in line with the budgeted amount.

### **Risk**

The LCTS affects low income working age families, and therefore a key risk is their ability to pay if the level of support awarded reduced which would have a knock on impact on the overall collection rate. This is potentially compounded by the Government's ongoing welfare reforms such as benefit 'capping' and the ongoing roll out of universal credit.

The annual review process therefore seeks to balance such issues along with the Council's overall financial position and as highlighted, it is not proposed to make any changes to the LCTS scheme in 2019/20 to support the financial stability of residents especially during the continuing roll-out of the Government's welfare reforms.

## **LEGAL**

The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (SI 2012/2885).

The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 (SI 2013/501).

In respect of the Council Tax Exceptional Hardship Policy, S13a of the Local Government Finance Act 1992 allows Councils to reduce the amount of Council Tax payable.

The Local Government Finance Act 1992. Schedule 1A of the 1992 Act states that if a LCTS is revised or replaced, full consultation is required. As the recommendation is to continue with the current scheme for 2019/20, consultation is not required. However, should Council make any amendments to the scheme, consultation will be necessary before the scheme can be approved and adopted.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 set out the requirements of a Minimum Revenue Provision (MRP) Policy Statement which must be approved by Council each year.

## OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

The LCTS scheme set out in the body of the report will not disproportionately impact on the following groups in that the relevant income will continue to be disregarded in calculating entitlement to support:-

- Families in receipt of child benefit; The Child Poverty Act 2010
- Disabled in receipt of Disability Living Allowance (DLA) / Employment and Support Allowance (ESA)/Personal Independence Payment(PIP); The Equality Act 2010
- War widows/disabled. The Armed Forces Covenant 2011

The recommendations on discounts apply a 0% (zero percentage) discount to all second homes and a 0% discount on empty properties, across the entire district. The implications will apply to all property owners and it is considered that there are no equality and diversity issues specific to this issue

Empty properties can attract vandalism and increase the potential for crime. The approach taken to the amount of council tax charged on empty properties aims to encourage their return to occupation.

## PROPOSED LCTS SCHEME 2019/20

A level of funding is received from the Government via the RSG to support the cost of the scheme. Given the significant reductions in RSG over recent years and the phasing out of this funding by 2019/20, any LCTS funding rolled into this grant is significantly lower than the 90% commitment originally made by the Government. The cost of the scheme is therefore no different to any other expenditure item within the Council's budget which is subject to review each year as part of the annual budget cycle.

There are two parts to the LCTS scheme;

- one for pension age claimants where 100% support is provided
- one for working age claimants.

The Pension Age Scheme is set in accordance with rules laid down by the Government whereas the Working Age Scheme rules are decided locally by each local authority (billing authority).

The Government removed the family premium element for housing benefit applications for new claims in 2017/18. This change effectively reduces the amount of money claimants can earn before they lose benefit by way of a taper. However since 2017/18, this Council has determined that it would not follow this approach locally within the LCTS scheme and instead retain this element, which increases the support available to claimants. This therefore remains within the proposed scheme for 2019/20.

The support provided to the pensioner age group under the Council's LCTS scheme remains unchanged.

Authorities must adopt a scheme on an annual basis which must be agreed by 31 January each year for the subsequent year's scheme. A summary of the proposed scheme for 2019/20 is set out as **Appendix A**, which remains unchanged from 2018/19.

**For information, statistics relating to the LCTS scheme in 2018/19 are set out below:**

As at the end of September 2018:

There are currently 13,489 household receiving LCTS at a cost (forgone income due to the discount awarded) of approximately **£11.467m**

The total working age households receiving support is 6,507

The total pensioner households receiving support is 6,982

The collection performance for those accounts where LCTS has been awarded is 49.58% (total overall council tax collection performance is 56.09%)

**PROPOSED COUNCIL TAX DISCOUNTS AND EXEMPTIONS 2019/20**

The discounts proposed for 2019/20 remain the same as those agreed for 2018/19 by Full Council in November 2017.

Full details of the proposed discretionary discounts are set out in **Appendix C**, which remain based on the underlying principle of encouraging property to be maintained in use or brought back into use. Other statutory discounts and exemptions are also available.

The Government have proposed allowing Authorities to increase council tax on long term empty properties as follows:

- For properties unoccupied and unfurnished for up to 5 years – a maximum charge of 200% of 'standard' council tax can be charged.
- For properties unoccupied and unfurnished for over 5 years but less than 10 years – a maximum charge of 300% of 'standard' council tax can be charged.
- For properties unoccupied and unfurnished for over 10 years – a maximum charge of 400% of 'standard' council tax can be charged.

As at the time of finalising this report, the relevant legislative changes had yet to be agreed by the Government. Therefore it is not proposed to consider these potential changes further for 2019/20 but they will be reviewed as part of the consideration of the 2020/21 discounts and exemptions at the same time next year.

**Annual Minimum Revenue Provision Policy Statement (AMRP)**

Attached as **Appendix D** is the proposed Annual MRP policy statement for 2019/20 that sets out how assets funded by borrowing are accounted for, which is required to be approved by Full Council each year.

The policy sets out how the Council will make provision for the eventual repayment of any borrowing undertaken to finance capital expenditure. The policy, which is unchanged from 2018/19, proposes that where new borrowing is undertaken in accordance with the prudential code, and is therefore not supported by Central Government via the formula or specific grant, the provision is calculated on a straight line method over the initial life expectancy of the asset.

Although there are no expectations of supported borrowing within the General Fund, for

completeness the policy in respect of any potential future supported borrowing has also been set out and is based on a rate of 4% pa.

The timing of approval of the MRP is to enable it to be taken into account when setting the budget for 2019/20 over the coming months.

It is recognised that the Council's MRP Statement may need to be reviewed in the context of the Garden Communities project as it continues to develop. If any changes are required then they will be presented to members as part of the Garden Communities decision making processes and/or as part of this annual review process in future years.

#### **BACKGROUND PAPERS**

None

#### **APPENDICES**

**Appendix A** Proposed Local Council Tax Support Scheme (summary) 2019/20

**Appendix B** Council Tax Exceptional Hardship Policy

**Appendix C** Council Tax Discounts and Exemptions 2019/20

**Appendix D** Annual Minimum Revenue Provision Policy Statement 2019/20