

Key Decision Required:	Yes	In the Forward Plan:	Yes
-------------------------------	------------	-----------------------------	------------

CABINET

8 NOVEMBER 2019

JOINT REPORT OF THE HOUSING PORTFOLIO HOLDER AND CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

A.8 THE LOCAL COUNCIL TAX SUPPORT SCHEME, DISCRETIONARY COUNCIL TAX EXEMPTIONS / DISCOUNTS FOR 2020/21 AND ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT 2020/21

(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 2020/21 (including associated exceptional hardship policy)
- Discretionary Council Tax Exemptions and Discounts 2020/21
- Annual MRP Policy Statement for 2020/21.

EXECUTIVE SUMMARY

- This report outlines the proposed Local Council Tax Support (LCTS) scheme and council tax exemptions and discounts for 2020/21.
- 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. Therefore it is proposed to keep the 2020/21 LCTS scheme 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 subject to annual review and it is not proposed to make any changes from the scheme operating this year and so remains available to support eligible claimants.
- In respect of discretionary council tax discounts and exemptions, it is proposed to continue with the same level of discounts this year with no changes therefore proposed for 2020/21. However it is proposed to agree in principle to levy the maximum council tax 'premium' from 1 April 2021, with Officers requested to write to all owners of long term empty properties advising them of this, which will also provide them with adequate time to respond to this potential change.
- The Annual Minimum Revenue Provision Policy Statement has also been reviewed for 2020/21 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 26 November 2019, 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 26 November 2019.

RECOMMENDATION

It is recommended:

- a) That Cabinet agrees that the LCTS scheme for 2020/21 remains 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 2020;**
- 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 2020/21 and recommends to full Council:**
 - i) that the locally determined council tax discounts as set out as Appendix C be approved;**
 - ii) that subject to c) above, delegation be 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 2020;**
 - iii) that it is agreed in principle to levy the maximum allowable council tax premiums from 1 April 2021 and that Officers be requested to write to the relevant homeowners advising them of the Council's intentions;**
 - iv) that Officers explore the option of potentially providing discounts for young people leaving care and present the outcome and options to members as soon as practicable in 2020/21; and**
- d) that Cabinet recommends to Council that the Annual Minimum Revenue Provision (MRP) Policy Statement for 2020/21 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 2020/21

As at the end of September, the total estimated annual 'cost' of the LCTS scheme in 2019/20 is **£11.477m**, 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.

The following sets out the total 'cost' of the LCTS scheme over recent years, with an average cost of **£11.499m** over the total 5 year period:

2015/16 - £11.725m
2016/17 - £11.577m
2017/18 - £11.362m
2018/19 - £11.353m
2019/20 - £11.477m (forecast outturn)

Council Tax Hardship Scheme

The total cost of the scheme over recent years is as follows:

Year	Applications Rec'd	Amount Awarded
2014-2015	46	£12,839
2015-2016	24	£5,202
2016-2017	27	£15,573
2017-2018	47	£22,778
2018- 2019	57	£21,822

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 **£23,973**. 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 either the LCTS Scheme or Hardship Policy in 2020/21, no additional costs over above those included within existing budgets or long term forecast are expected. The Council Tax Collection fund continues to operate whereby any changes against the budget during the year will be 'rolled' forward and included in the following year's budget setting process.

Council Tax exemptions and discounts for 2020/21

Similarly to the position for the LCTS above, as no changes are proposed for 2020/21, no changes to existing budgets / long term forecast are expected.

By not charging a 'premium' on long term empty properties in 2020/21 potential income is effectively foregone. However if the intention of charging a 'premium' is to bring empty properties back into use following which the 'premium' would no longer be levied, the ultimate success of such an approach would therefore mean that no additional income would be realised. It is accepted that some homeowners may still not bring their properties back into use even if a 'premium' was charged but it is difficult to quantify this figure.

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 Housing Revenue Account capital investment, although future provision will be considered within the wider business planning process.

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 the 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 2020/21, which supports 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 (as amended) and The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 provide the basis for the design and implementation of Local Council Tax Support Schemes.

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 2020/21, 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 Government Finance Act 1992 (as amended) sets out relevant council tax exemptions and discounts (mandatory and discretionary). The Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 (as amended) sets out the various class of properties for the purpose of exemptions and discounts. Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 amended the Local Government Finance Act 1992 in respect of the Council Tax premium that can be charged on long term empty properties (unoccupied for at least 2 years) as follows:

The maximum 'premiums' chargeable from 1 April 2020 are as follows:

- For properties unoccupied and unfurnished for up to 5 years – a maximum of 100%

- For properties unoccupied and unfurnished for over 5 years – a maximum of 200%

The maximum premiums chargeable from 1 April 2021 are as follows:

- For properties unoccupied and unfurnished for up to 5 years – a maximum of 100%
- For properties unoccupied and unfurnished for over 5 years but less than 10 years – a maximum of 200%
- For properties unoccupied and unfurnished for over 10 years – a maximum of 300%

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 2020/21

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).

Authorities must adopt a scheme on an annual basis which must be agreed by 31 January each year for the subsequent year's scheme.

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).

The LCTS is therefore an annual 'cost' met within the Council's overall financial position / budget each year. Any increase in the discount would therefore be treated as a cost pressure and conversely, any reduction in the level of discount would increase the Council's overall income position. However the level of discount given is not primarily a financial decision as one of the primary drivers is the level of financial support that the scheme provides to households across the district which in turn needs to be considered in the wider demographic / economic position for the area.

In previous years, one argument put forward was as the LCTS was supported by the Revenue Support Grant, any reduction in this grant should be 'passported' across to the LCTS scheme and therefore reduce the support available in line with those reductions. However, given the on-going impact on residents from welfare reforms, including universal credit, it is proposed to continue with the principle applied in previous years of helping to provide financial stability to Tendring claimants by keeping the maximum discount at 80% for working age claimants. In terms of the overall scheme, no changes are proposed with the scheme remaining the same as 2019/20, including the retention of the family premium which the Government removed from the Housing Benefit Scheme from 2017/18.

A summary of the unchanged scheme for 2020/21 is set out as **Appendix A**.

Looking ahead to 2021/22, a review of the scheme is likely given the increasing level of resources required to administer the scheme. As the scheme is based on a means tested approach, the information required has in the past been collected as part of jointly administering Housing Benefit. As Housing Benefit is being phased out and the Department of Works and Pensions (DWP) have confirmed that they will not share with us the information that they collect to administer Universal Credit, the Council will have to ask claimants for the same information independently - in effect duplicating what is required from claimants.

It is understood that alternative options are being explored elsewhere in the country to potentially reduce the level of administration necessary and the outcome / performance of this work will be considered as a basis to develop options for this Council's scheme in 2021/22 and beyond.

For information, statistics relating to the LCTS scheme in 2019/20 are set out below:

As at the end of September 2019:

There are currently 13,078 household receiving LCTS.

The total working age households receiving support is 6,373

The total pensioner households receiving support is 6,705

The collection performance for those accounts where LCTS has been awarded is 48.14% (total overall council tax collection performance is 55.86%)

Council Tax Hardship Scheme

The Council has operated a council tax exceptional hardship policy since the inception of the LCTS scheme.

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.

It is not proposed to amend the scheme in 2020/21. However it will be reviewed as part of any change to the LCTS scheme that may emerge following the review set out above.

PROPOSED COUNCIL TAX DISCOUNTS AND EXEMPTIONS 2020/21

There are a number of mandatory exemptions and discounts available, with only a limited number of classes of dwelling where there is local discretion as to the amount of discount that is awarded. These relate to 4 classes of unoccupied dwelling and for 2020/21 it is proposed to keep the level of discount at the same level as 2019/20 which is 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 for up to 12 months**

As was the case last year, 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 within the long term forecast. It is worth highlighting that for every 10% increase in any one class of discount, the Council would lose up to approximately **£25,000** in income per year.

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 a key driver to bring empty properties back into use, the Government allows Local Authorities to levy a council tax 'premium' on long term empty properties (Class C which have been empty for more than two years). As set out within the legal section above, the maximum

'premium' that can be charged is 100% for a property that has been empty for more than 2 years but less than 5, and a premium of 200% for a property that has been empty for more than 5 years. A second home or holiday home would not be included as the 'premium' would only apply to properties that are substantially unfurnished. A number of Essex authorities already charge a council tax 'premium'.

A summary of current long term unoccupied properties (excluding Housing Revenue Account Properties) is as follows:

Band	Number
Unoccupied for more than 2 years but less than 5 years	120
Unoccupied for more than 5 years but less than 10 years	53
TOTAL	173

If the maximum 'premium' allowable was charged for the properties identified above, additional income could potentially be in excess of **£0.300m** per annum, of which approximately **£0.030m** would be retained by TDC as its overall share of the total council tax bill. However, it is recognised that many home owners may avoid paying the 'premium' by bringing their properties back into use or convert them to second homes. Therefore in reality any additional income may only be modest as the primary intention of the introducing a 'premium' is about bringing empty properties back into use rather than as a mechanism to increase Council funding.

A further unoccupied property 'band' is being introduced from 1 April 2021. Where a property has remained empty for more than 10 years, Councils will be allowed to charge a 'premium' of up to 300%.

Although the Council has decided not to levy a 'premium' so far to date, it is proposed to introduce a council tax 'premium' for long term properties in future years given it is likely to act as a key driver in bringing empty properties back into use. However rather than introduce a premium from 1 April 2020, it is instead proposed to write to the current owners of long term empty properties to explain that the Council is intending to introduce the maximum 'premiums' from 1 April 2021. This would therefore allow property owners sufficient time to respond to this proposed change.

Following the above, confirmation or otherwise of the 'in principle' decision to introduce 'premiums' from April 2021 will form part of agreeing the council tax discounts for 2021/22 that will be presented to members in November 2020.

As highlighted in previous years, the Council does receive feedback from residents or other third parties in terms of putting forward a case to review existing discounts or introduce new ones. This year the Council has recently been contacted jointly by the Children's Commissioner for England and The Children's Society asking that the Council considers a council tax exemption / discount for young people leaving care. It is understood that this request has been made nationally.

On the face of it, this seems a simple request but there are a number of factors to consider such as the potential number of young people affected and how this could impact on other preceptors such as ECC who have a direct role in this policy area. Therefore given the relatively late request from the Children's Commissioner for England / The Children's Society, it

would be difficult to undertake the necessary review in time to make an informed decision either way for 2020/21.

However a recommendation has been included above, asking officers to review the situation next year and report back to members as part of the consideration of the council tax discounts for 2021/22 which will be reported in November 2020.

Based on the above, full details of the proposed discretionary discounts are set out in **Appendix C**.

Annual Minimum Revenue Provision Policy Statement (AMRP)

Attached as **Appendix D** is the proposed Annual MRP policy statement for 2020/21 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 2019/20, 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 2020/21 over the coming months.

As explained last year, 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 separately 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) 2020/21

Appendix B Council Tax Exceptional Hardship Policy

Appendix C Council Tax Discounts and Exemptions 2020/21

Appendix D Annual Minimum Revenue Provision Policy Statement 2020/21