

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

13 NOVEMBER 2020

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

#### **A.6 THE LOCAL COUNCIL TAX SUPPORT SCHEME, DISCRETIONARY COUNCIL TAX EXEMPTIONS / DISCOUNTS FOR 2021/22 AND ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT 2021/22**

(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 2021/22 (including associated exceptional hardship policy)
- Discretionary Council Tax Exemptions and Discounts 2021/22
- Annual MRP Policy Statement for 2021/22

##### **EXECUTIVE SUMMARY**

- This report outlines the proposed Local Council Tax Support (LCTS) scheme and council tax exemptions and discounts for 2021/22.
- Given the on-going impact on residents from welfare reforms, including universal credit, it is proposed to continue with the principle of providing some financial stability to Tendring claimants, which is even more important this year given the impact of COVID 19. Therefore it is proposed to keep the 2021/22 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 2021/22.
- The impact of COVID 19 has also delayed the implementation of levying the maximum council tax 'premium' on long term empty properties (originally planned from 1 April 2021) and consideration of a council tax discount for young people leaving care.
- However, it still is proposed to implement the maximum council tax 'premium' on long term empty properties but from a revised date of April 2022, and Officers will be asked to write to all those property owners likely to be affected as early as possible in 2021/22 to provide them with adequate time to respond to this potential change.

- In respect of implementing a council tax discount for young people leaving care, it is proposed to develop a policy alongside the budget for 2021/22 rather than wait until the general review of discounts is undertaken again in November next year. It is also proposed to back date the policy to the April 2020 so no one will lose out due to the delay caused by COVID 19.
- The Annual Minimum Revenue Provision Policy Statement has also been reviewed for 2021/22 with no changes proposed.
- 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 24 November 2020, 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 24 November 2020.

## **RECOMMENDATION**

### **It is recommended:**

- a) That Cabinet agrees that the LCTS scheme for 2021/22 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 Assistant Director Finance and IT in consultation with the Housing Portfolio Holder to undertake the necessary steps to implement the LCTS scheme from 1 April 2021;**
- b) that Cabinet agrees the Council Tax Exceptional Hardship Policy as set out in Appendix B;**
- c) that Cabinet requests officers to undertake the necessary work to develop a council tax discount policy for young people leaving care, for consideration alongside the budget for 2021/22;**
- d) that Cabinet agrees that the discretionary Council Tax exemptions and discounts remain unchanged in 2021/22 and recommends to full Council:**
  - i) that the locally determined council tax discounts as set out in Appendix C be approved;**
  - ii) that subject to c) above, delegation be given to the Assistant Director Finance and IT in consultation with the Housing Portfolio Holder to undertake the necessary steps to implement the council tax exemptions and discounts from 1 April 2021;**

iii) that it is agreed in principle to levy the maximum allowable council tax premiums from 1 April 2022 and that Officers be requested to write to the relevant property owners advising them of the Council's intentions;

e) that Cabinet recommends to Council that the Annual Minimum Revenue Provision (MRP) Policy Statement for 2021/22 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 2021/22

As at the end of September, the total estimated annual 'cost' of the LCTS scheme in 2020/21 is **£11.975m**, with approximately 10% of this amount (**£1.975m**) 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:

2015/16 - £11.725m  
2016/17 - £11.577m  
2017/18 - £11.362m  
2018/19 - £11.353m  
2019/20 - £11.373m  
2020/21 - £11.975m (as at the end of September)

As the LCTS scheme is accounted for as a discount against the full council tax amount that would otherwise be payable on a domestic property, the estimated cost of the scheme forms part of the council tax property base calculations that are undertaken when developing the following year's budget. The cost of the scheme has been impacted by the COVID 19 crisis in 2020/21 but it is unclear as to its long term impact going into 2021/22. This will therefore be considered as part of the long term forecast and budget setting work currently underway for 2021/22, but it is important to highlight that it is not proposed to reduce the discount rate as part of balancing the long term forecast as the scheme remains an important mechanism to provide financial support to Tendring residents.

#### Council Tax Hardship Scheme

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

Year	Amount Awarded
2014-2015	£12,839
2015-2016	£5,202
2016-2017	£15,573
2017-2018	£22,778

2018- 2019	£21,822
2019- 2020	£22,313

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, which for 2020/21 is **£24,030**. 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 2021/22, no additional underlying costs over and 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.

As mentioned above, the impact of COVID 19 on the cost of the LCTS scheme will be considered as part of the council tax base calculations that will be undertaken to inform the budget for 2021/22 rather than as part of this report which only sets out the underlying position.

#### **Council Tax exemptions and discounts for 2021/22**

Similarly to the position for the LCTS above, as no changes are proposed for 2021/22, no changes to existing budgets / long term forecast are expected.

By continuing to not charge a 'premium' on long term empty properties in 2021/22 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 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 2021/22, which supports the financial stability of residents, especially during the continuing roll-out of the Government's welfare reforms and the short to medium term impact of the COVID 19 crisis.

## 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 same legislation would also enable the Council to provide a council tax discount for young people leaving care.

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 2021/22, 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 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 2021/22**

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 ongoing 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 Tendering 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 2020/21, including the retention of the family premium which the Government removed from the Housing Benefit Scheme from 2017/18. Such stability will also support households through the short to medium term impacts from the current COVID 19 crisis.

A summary of the unchanged scheme for 2021/22 is set out as **Appendix A**.

When the LCTS scheme was considered last year, it was hoped to be able to consider alternative options for a redesign of the scheme given the potential increased administrative workload of operating the current one. This is mainly due to the means tested approach and that the information required in the past being collected as part of jointly administering Housing Benefit. As Housing Benefit continues to be phased out and the Department of Works and Pensions (DWP) are unable to 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. However, given the current COVID 19 crisis it has

Unfortunately not been possible to progress the work necessary to explore such alternative options. However it is proposed to resume this work as soon as possible to inform the potential redesign of the scheme in future years.

***For information, statistics relating to the LCTS scheme in 2020/21 are set out below:***

As at the end of September 2020:

There are currently 13,068 household receiving LCTS.

The total working age households receiving support is 6,625

The total pensioner households receiving support is 6,443

### **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 2021/22. However it will be reviewed as part of any change to the LCTS scheme that may emerge following the proposed review set out above.

### **PROPOSED COUNCIL TAX DISCOUNTS AND EXEMPTIONS 2021/22**

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 2021/22 it is proposed to keep the level of discount at the same level as 2020/21 and 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 for up to 12 months**

As was the case last year, by leaving the current level of discounts / exemptions unchanged it supports the stability of 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.

Full details of the proposed discretionary discounts are set out in **Appendix C**.

### **Premium on Long Term Empty Properties**

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). The maximum 'premium' that can be charged is set out within the legal section above but can be as high as 300% for a property that has been empty for over 10 years. A second home or holiday home would not be included as the 'premium' would only apply to properties that are substantially unfurnished.

When Full Council considered the level of council tax discounts for 2020/21 late last year, it was agreed in principle to charge the maximum allowable council tax premium on long term empty properties from April 2021. It was also agreed to write to those property owners that would be affected to advise them of the Council's intentions.

However due to the current COVID 19 crisis and the various pressures faced within the district, it was a difficult background against which to deliver the message that the Council intended to charge council tax premiums from April 2021. If the country had started to recover from the COVID in the first half of the year there may have been an opportunity to continue with the original implementation date of April 2021. However given the much longer term impact from COVID 19, this difficult background is likely to remain over most of the current financial year. It is also acknowledged that the COVID 19 crisis may also cause delays in property owners bringing their properties back into a habitable state and therefore miss the original deadline of April 2021.

Based on the above, it is proposed to delay the implementation date of levying council tax premiums on long term empty properties until April 2022.

Although subject to the on-going COVID 19 crisis, Officers will be requested to write to relevant property owners early in 2021/22 advising them of the Council's intentions, which will enable them sufficient time to consider their position.

For information, a summary of current long term unoccupied properties (excluding Housing Revenue Account Properties) is as follows:



<b>Band</b>	<b>Number</b>
Unoccupied for more than 2 years but less than 5 years	193
Unoccupied for more than 5 years but less than 10 years	62
Unoccupied for more 10 years	32
<b>TOTAL</b>	<b>287</b>

Following the above, confirmation or otherwise of the 'in principle' decision to introduce 'premiums' from April 2022 will form part of agreeing the council tax discounts for 2022/23 that will be presented to members in November 2021.

### **Other Considerations**

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.

As part of the same report last year, Full Council requested Officers to 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.

The above was in response to 'lobbying' at a national level by the Children's Commissioner for England and The Children's Society asking that Council's consider a council tax exemption / discount for young people leaving care.

A number of Essex Authorities have now introduced this specific council tax discount. However given the significant impact on resources due to COVID 19, it has not been possible to progress the exploration of introducing such a discount as quickly as originally expected.

However, rather than defer consideration of this until the same time next year, it is proposed to develop an associated policy for consideration by members alongside the budget setting process for 2021/22. This approach would therefore enable a policy to be considered by Cabinet in January 2021 before a recommendation was made to Full Council in February 2021. The scheme could also be backdated so no one would lose out as the scheme would still be effective from the original start date of 1 April 2020.

A recommendation has therefore been included above, asking officers to undertake the necessary work to develop a council tax discount policy for young people leaving care, for consideration alongside the budget for 2021/22.

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

Attached as **Appendix D** is the proposed Annual MRP policy statement for 2021/22 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 2020/21, 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 2021/22 over the coming months.

#### **BACKGROUND PAPERS**

None

#### **APPENDICES**

**Appendix A** Proposed Local Council Tax Support Scheme (summary) 2021/22

**Appendix B** Council Tax Exceptional Hardship Policy

**Appendix C** Council Tax Discounts and Exemptions 2021/22

**Appendix D** Annual Minimum Revenue Provision Policy Statement 2021/22