

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

12 NOVEMBER 2021

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

A.13 THE LOCAL COUNCIL TAX SUPPORT SCHEME, DISCRETIONARY COUNCIL TAX EXEMPTIONS / DISCOUNTS / PREMIUMS FOR 2022/23 AND ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT 2022/23

(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 2022/23 (including associated exceptional hardship policy)
- Discretionary Council Tax Exemptions, Discounts and Premiums for 2022/23
- Annual MRP Policy Statement for 2022/23

EXECUTIVE SUMMARY

- This report outlines the proposed Local Council Tax Support (LCTS) scheme and council tax exemptions, discounts and premiums for 2022/23.
- Given the impact on residents from welfare reforms, including universal credit along with the on-going impact from COVID19, it is proposed to continue with the principle of providing financial stability wherever possible to Tendring claimants. It is therefore proposed to keep the 2022/23 LCTS scheme the same as this year, which 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. Additional financial support has been made available to claimants via this scheme, supported by associated COVID 19 grant funding from the Government.
- 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 2022/23.
- Following on from Full Council agreeing in principle to implement council tax premiums on empty properties from 1 April 2022, the maximum premiums allowable are now included in this report for approval.
- A policy to enable council tax discounts to be awarded to young people leaving care was agreed as part of the budget setting process for 2021/22. It was also agreed to back date the support to 1 April 2020. It is proposed to continue to provide the same level of support

in future years, with the unchanged policy for 2022/23 set out within this report and recommendations below.

- The Annual Minimum Revenue Provision Policy Statement has also been reviewed for 2022/23 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 30 November 2021, 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 30 November 2021.

RECOMMENDATION

It is recommended:

- a) That Cabinet agrees that the LCTS scheme for 2022/23 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 2022;**
- b) that Cabinet agrees the Council Tax Exceptional Hardship Policy as set out in Appendix B;**
- c) that Cabinet agrees the discretionary Council Tax exemptions, discounts and premiums for 2022/23 as set out in the appendices and recommends to full Council:**
 - i) that the locally determined council tax discounts as set out in Appendix C be approved;**
 - ii) that the council tax discount policy for young people leaving care as set out in Appendix D be approved;**
 - iii) that the discretionary council tax premiums set out in Appendix E be approved;**
 - iv) 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, discounts and premiums from 1 April 2022; and**
- d) that Cabinet recommends to Council that the Annual Minimum Revenue Provision (MRP) Policy Statement for 2022/23 as set out in Appendix F 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 2022/23

As at the end of September, the total estimated annual 'cost' of the LCTS scheme in 2021/22 is **£11.884m**, which is in-line with the 'base' position budgeted for. Approximately 10% of this amount (**£1.188m**) 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.

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. This will therefore be considered as part of the long term forecast and budget setting work currently underway for 2022/23, 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 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 2021/22 is **£24,030**. For any awards over and above this annual amount, 100% of the cost is met by TDC.

As no changes are proposed to either the LCTS Scheme or Hardship Policy in 2022/23, 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 part of the outturn report for 2020/21, it was agreed to increase the existing council tax hardship budget by **£509,000** in 2021/22 using associated support provided by the Government. The aim of this approach was to provide additional flexibility to officers within the Revenues and Benefits Service to support a much larger number of households in the district during 2021/22 who may be facing on-going hardship from the COVID 19 pandemic. This support can be provided via the application of the existing hardship policy with **£50,450** being paid out to eligible households so far.

Council tax exemptions, discounts and premiums for 2022/23

Similarly to the position for the LCTS above, as no changes are proposed to council tax discounts for 2022/23, including the policy for young people leaving care, no adjustments to existing budgets / long term forecast are expected.

As discussed as part of the introduction of the policy to support young people leaving care earlier in the year, the cost of this was expected to be minimal. As at the end of September 2021, the total cost of this scheme has been just over £4,000, which can be accommodated within the wider calculation of the council tax base, each year.

By introducing a 'premium' on long term empty properties in 2022/23 additional income would be expected. However 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 when a 'premium' is charged but it is difficult to quantify this figure.

The premium will be chargeable to relevant properties within the HRA. Work is underway to reduce the level of long term housing voids and any impact to the HRA from introducing the council tax premiums will be considered as part of the wider HRA Business Planning Process.

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 2022/23, which supports the financial stability of residents, especially during the continuing roll-out of the Government's welfare reforms and the on-going impact of the COVID 19 pandemic.

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

For the purposes of defining a long-term empty dwelling, on any day for a continuous period of at least 2 years if it has been unoccupied, and has been substantially unfurnished.

In determining whether a dwelling is a long-term empty dwelling, no account is to be taken of any one or more periods of not more than 6 weeks during which either of the two conditions above are not met (or neither of them is met).

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. In calculating a prudent MRP provision, local authorities are required to have regard to guidance issued by the Secretary of State. The latest guidance, issued under section 21(1A) of the Local Government Act 2003, is applicable from 1 April 2019 which the proposed MRP policy reflects.

Local authorities may choose to pay more MRP than they consider prudent in any given year. If they do so they should separately disclose the in-year and cumulative amount of MRP overpaid in the Statement presented to full council.

Local authorities can also vary the methodologies that they use to make prudent provision during the year. If they do so they should present a revised MRP statement to the next full Council or equivalent. Where a change in MRP methodology would impact on the value for money assessment of non-financial investments, the updated statement should summarise this impact

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 application of discounts and premiums are relevant to all properties across the district and it is considered that there are no equality and diversity implications specific to this issue.

PROPOSED LCTS SCHEME 2022/23

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 Tending 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 2021/22.

The unchanged scheme for 2022/23 is set out as **Appendix A**.

When the LCTS scheme was considered in previous years, 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 continue to ask claimants for the same information independently - in effect duplicating what is required from claimants. However, given the ongoing impact of the COVID 19 pandemic it has unfortunately not been possible to make any progress with 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 2021/22 are set out below:

As at the end of August 2021:

There are currently 12,712 household receiving LCTS.

The total working age households receiving support is 6,517

The total pensioner households receiving support is 6,195

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 2022/23.

PROPOSED COUNCIL TAX DISCOUNTS, EXEMPTIONS AND PREMIUMS 2022/23

Discounts and Exemptions

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 2022/23 it is proposed to keep the level of discount at the same level as 2021/22 as set out in **Appendix C**.

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.

A council tax policy was introduced this year to support young people leaving care. It is proposed to continue with an unchanged policy going into 2022/23, which is set out in **Appendix D**.

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 2021/22, it was agreed in principle to charge the maximum allowable council tax premium on long term empty properties from 1 April 2022. It was also agreed to write to those property owners that would be affected to advise them of the Council's intentions.

The letter referred to above was sent out to those property owners likely to be affected by the proposed change. To date there has been no adverse feedback received and in fact it has prompted property owners to get in touch with the Council to enable our records to be updated where they have not previously advised us of changes to the status of their property.

In line with the 'in principle' decision made by Full Council last year, it is proposed to levy the maximum premium from 1 April 2022 based on the time the property has remained empty. **Appendix E** sets out the proposals in full.

For information, 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	284
Unoccupied for more than 5 years but less than 10 years	54
Unoccupied for more 10 years	20
TOTAL	358

Other Considerations

As highlighted in previous years, the Council does from time to time receive feedback from residents or other third parties in terms of putting forward a case to review existing discounts or introduce new ones. No significant issues have been raised at the time of finalising this report, so there are no further issues being put forward for consideration.

Annual Minimum Revenue Provision Policy Statement (AMRP)

Attached as **Appendix F** is the proposed Annual MRP policy statement for 2022/23 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 2021/22, 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 2022/23 over the coming months.

BACKGROUND PAPERS

None

APPENDICES

Appendix A Proposed Local Council Tax Support Scheme (summary) 2022/23

Appendix B Council Tax Exceptional Hardship Policy

Appendix C Council Tax Discounts and Exemptions 2022/23

Appendix D Care Leavers Council Tax Discount Policy

Appendix E Council Tax Premiums 2022/23

Appendix F Annual Minimum Revenue Provision Policy Statement 2022/23