

## CABINET

4 NOVEMBER 2022

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

#### **A.6 THE LOCAL COUNCIL TAX SUPPORT SCHEME, DISCRETIONARY COUNCIL TAX EXEMPTIONS / DISCOUNTS / PREMIUMS FOR 2023/24 AND ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT 2023/24**

##### **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 2023/24 (including associated exceptional hardship policy)
- Discretionary Council Tax Exemptions, Discounts and Premiums for 2023/24
- Annual MRP Policy Statement for 2023/24

###### **EXECUTIVE SUMMARY**

- This report outlines the proposed Local Council Tax Support (LCTS) scheme and council tax exemptions, discounts and premiums for 2023/24.
- Given the impact on residents from welfare reforms, including universal credit along with the on-going impact from COVID19 / cost of living challenges, it is proposed to continue with the principle of providing financial stability wherever possible to Tending claimants. It is therefore proposed to keep the 2023/24 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 remains available to claimants via this scheme, which was supported by associated COVID 19 grant funding from the Government.
- In respect of discretionary council tax discounts, exemptions and premiums (including discounts for young people leaving care), it is not proposed to make any changes for 2023/24, with the same levels applying as in 2022/23.
- The Annual Minimum Revenue Provision Policy Statement has also been reviewed for 2023/24 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 in November 2022, 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 22 November 2022.

#### **RECOMMENDATION(S)**

**It is recommended:**

- a) That Cabinet agrees that the LCTS scheme for 2023/24 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 2023;****
- 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 2023/24 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 2023; and****
- d) that Cabinet recommends to Council that the Annual Minimum Revenue Provision (MRP) Policy Statement for 2023/24 as set out in Appendix F be approved.**

#### **REASON(S) FOR THE RECOMMENDATION(S)**

**To enable the implementation of an LCTS Scheme in 2023/24 along with the required council tax discounts, exemptions and premiums and an MRP Policy Statement.**

## ALTERNATIVE OPTIONS CONSIDERED

Considerations relating to the implementation of the various elements included within the recommendations above are set out within the main body of this report

## 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.

### OUTCOME OF CONSULTATION AND ENGAGEMENT

Not applicable at this stage as no amendments to the LCTS scheme for 2023/24 are being currently being proposed.

### LEGAL REQUIREMENTS (including legislation & constitutional powers)

Is the recommendation a Key Decision (see the criteria stated here)	Yes	If Yes, indicate which by which criteria it is a Key Decision	<input type="checkbox"/> Significant effect on two or more wards <input checked="" type="checkbox"/> Involves £100,000 expenditure/income <input type="checkbox"/> Is otherwise significant for the service budget
		And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)	This item has been included within the Forward Plan for a period in excess of 28 days.
<p>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.</p>			
<p>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.</p>			
<p>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.</p>			
<p>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</p>			

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 Government have proposed the following two changes to the premiums that can be charged which are set out within the Levelling Up and Regeneration Bill that is progressing through Parliament:

- Enable Local Authorities to charge a 100% premium when a property remains empty for a 1 year, so extending the range covered in the first bullet point above to 1 to 5 years
- Enable Local Authorities to charge a 100% premium on second homes.

Although subject to the associated legislation being enacted, it is not currently proposed to introduce the above two changes in 2023/24, but the position will be kept under review going forward.

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.

Yes	<b>The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:</b>
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There are no additional comments over and above those set out in the main body of this report.

## **FINANCE AND OTHER RESOURCE IMPLICATIONS**

### **LCTS scheme for 2023/24**

As at the end of September 2022, the total estimated annual 'cost' of the LCTS scheme in 2022/23 is **£12.098m**, which is broadly in-line with the 'base' position budgeted for. Approximately 10% of this amount (**£1.200m**) 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 2023/24, 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 2022/23 is **£24,323**. 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 2023/24, 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.

The existing hardship budget was subject to a one-of increase in 2021/22 due to the impact of COVID 19, with £157,868 remaining in the associated budget at the start of this year. Support to households is via the application of the existing hardship policy, with **£93,723** being paid out to eligible households at the end of September 2022.

### **Council tax exemptions, discounts and premiums for 2023/24**

Similarly to the position for the LCTS Scheme above, as no changes are proposed to council tax discounts for 2023/24, 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 last year, the cost of this was expected to be minimal. As at the end of September 2022, the total cost of this scheme is £10,302, 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. However, a summary as at the end of September 2022 is as follows:

<b>Period Empty</b>	<b>Premium Due</b>	<b>Number of Properties Affected @ the start of 2022/23</b>	<b>Number of Properties Affected @ the end of September 2022</b>	<b>Total Value (based on September's Position)</b>
2 to 5 Years	100%	195	161	£253,239
5 to 10 Years	200%	43	38	£117,263
Over 10 Years	300%	25	18	£84,912

The above indicates the continuing trend of properties being brought back into use within the district.

In terms of collection performance, the following sets out the latest position against the 217 properties currently attracting a premium:

Bill stage – 145

Reminder Stage – 26

Second Reminder Stage – 6

Summons Stage – 40

The above position will be kept under review going forward.

The premium will be chargeable to relevant properties within the HRA. Work remains on-going to reduce the level of long term housing voids and any impact to the HRA from council tax premiums, which 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.

<b>Yes</b>	<b>The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:</b>
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The Section 151 Officer is the author of this report.

### **USE OF RESOURCES AND VALUE FOR MONEY**

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	This is addressed in the body of the report.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	
<b>MILESTONES AND DELIVERY</b>	
<p>The decisions set out in this report are required to be made in advance of the Final Budget Proposals being considered by Cabinet / Full Council in early 2023. This enables the associated calculations that support the budget to be completed, which also need to be communicated to the Preceptors in a timely way so they can be reflected in their own budget setting processes.</p>	
<b>ASSOCIATED RISKS AND MITIGATION</b>	
<p>The LCTS Scheme 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.</p> <p>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 2023/24, 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 / cost of living challenges.</p>	
<b>EQUALITY IMPLICATIONS</b>	
<p>These form part of the wider considerations and discussions within the main body of the report.</p> <p>However, 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:-</p> <ul style="list-style-type: none"> <li>○ Families in receipt of child benefit; The Child Poverty Act 2010</li> <li>○ Disabled in receipt of Disability Living Allowance (DLA) / Employment and Support Allowance (ESA)/Personal Independence Payment(PIP); The Equality Act 2010</li> <li>○ War widows/disabled. The Armed Forces Covenant 2011</li> </ul> <p>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.</p>	
<b>SOCIAL VALUE CONSIDERATIONS</b>	
These form part of the considerations and discussions within the main body of the report.	
<b>IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030</b>	
N/A	

**OTHER RELEVANT CONSIDERATIONS OR 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.

<b>Crime and Disorder</b>	Please see comments above
<b>Health Inequalities</b>	
<b>Area or Ward affected</b>	

**PART 3 – SUPPORTING INFORMATION****PROPOSED LCTS SCHEME 2023/24**

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 reduce the Council's net costs. 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, this Council has not applied such an approach to date and it does not intend to do so in 2023/24 either. The Council recognises the on-going impact on residents from welfare reforms, including universal credit and cost of living challenges, so it is proposed to maintain the maximum discount at 80% for working age claimants. In terms of the overall scheme, no significant changes are proposed with the scheme remaining primarily the same as 2022/23. One small change made relates to the disregard of income when calculating financial support under the scheme. During the year it is recognised that the Government may ask Council's to disregard certain unearned income items, so a generic reference is now made to reflect this situation to enable the Council to react timely to any such changes during the year when instructed to do so by the Government via regulations or other means.

The scheme for 2023/24, that reflects the minor amendment highlighted above (last bullet point on page 20 under the sub heading "**Unearned Income that is not counted**") 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, this revised approach remains a key aspiration and work will resume as soon as practicable.

***For information, statistics relating to the LCTS scheme in 2022/23 are set out below:***

As at the end of September 2022:

There are currently 12,346 household receiving LCTS.

The total working age households receiving support is 6,312

The total pensioner households receiving support is 6,034

### **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 existing scheme for 2023/24.

## **PROPOSED COUNCIL TAX DISCOUNTS, EXEMPTIONS AND PREMIUMS 2023/24**

### **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 2023/24 it is

proposed to keep the level of discount at the same level as 2022/23 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 last year to support young people leaving care. It is proposed to continue with an unchanged policy going into 2023/24, 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 (although the Government are considering changing this – please see comments within the Legal Section above).

The premiums set out in **Appendix E** were agreed by Full Council last year and have been chargeable since the 1 April 2022. It is proposed to continue with the existing level of premiums for 2023/24.

### **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 matters are being put forward for consideration.

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

Attached as **Appendix F** is the proposed Annual MRP policy statement for 2023/24 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 2022/23, 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 2023/24 over the coming months.

#### **PREVIOUS RELEVANT DECISIONS**

N/A

#### **BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL**

None

#### **APPENDICES**

**Appendix A** Proposed Local Council Tax Support Scheme (summary) 2023/24

**Appendix B** Council Tax Exceptional Hardship Policy

**Appendix C** Council Tax Discounts and Exemptions 2023/24

**Appendix D** Care Leavers Council Tax Discount Policy

**Appendix E** Council Tax Premiums 2023/24

**Appendix F** Annual Minimum Revenue Provision Policy Statement 2023/24

#### **REPORT CONTACT OFFICER(S)**

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