

## CABINET

15 NOVEMBER 2024

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

#### **A.9 THE LOCAL COUNCIL TAX SUPPORT SCHEME, DISCRETIONARY COUNCIL TAX EXEMPTIONS / DISCOUNTS / PREMIUMS FOR 2025/26 AND ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT 2025/26**

##### **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 2025/26
- Exceptional Hardship Policy
- Discretionary Council Tax Exemptions, Discounts and Premiums for 2025/26
- Annual MRP Policy Statement for 2025/26

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

- This report outlines the proposed Local Council Tax Support (LCTS) scheme and council tax exemptions, discounts and premiums for 2025/26.
- In terms of the LCTS scheme, it is proposed to continue with the principle of providing financial stability wherever possible to Tendring residents.
- It is therefore proposed to keep the 2025/26 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, apart from recognising that council tax payable on second homes / empty properties is not eligible for support. The policy and associated budget therefore remain available to support eligible claimants in 2025/26.
- In respect of existing discretionary council tax discounts, exemptions and premiums (including discounts for young people leaving care), it is not proposed to make any changes for 2025/26, with the same levels applying as in 2024/25.
- In respect of existing council tax premiums on long term empty properties, it is not proposed to make any changes for 2025/26, with the same levels applying as in 2024/25.
- In-line with the decision of Full Council in November last year, it is proposed to introduce a council tax premium of 100% on second homes from 1 April 2025.
- Given the Government's intention of not penalising property owners where they are making genuine efforts to make use of their properties, they have subsequently

introduced a number of exceptions where the council tax premium on long term empty properties and/or second homes is not chargeable.

- The Annual Minimum Revenue Provision Policy Statement has also been reviewed for 2025/26 with a number of minor amendments made to reflect revised guidance. However, it is important to highlight that there has been no underlying change to the existing calculations that will apply when determining the minimum revenue provision for 2025/26.
- 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 2024, 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 2024.

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

**It is recommended:**

- a) That Cabinet agrees that the LCTS scheme for 2025/26 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 Director Finance and IT in consultation with the Housing and Planning Portfolio Holder to undertake the necessary steps to implement the LCTS scheme from 1 April 2025;**
- 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 2025/26 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 Director Finance and IT in consultation with the Housing and Planning Portfolio Holder to undertake the necessary steps to implement the council tax exemptions, discounts and premiums from 1 April 2025; and

d) that Cabinet recommends to Council that the Annual Minimum Revenue Provision (MRP) Policy Statement for 2025/26 as set out in Appendix F be approved.

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

To enable the implementation of an LCTS Scheme in 2025/26 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 2025/26 are 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.  Published on 19/07/24.

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 2025/26, 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 premiums that can be charged on long term empty properties (unoccupied for at least 2 years). The Local Government Finance Act 1992 was further amended by the Levelling Up and Regeneration Act 2023, which also makes provision for Council Tax premiums that can be charged on properties occupied periodically ('second homes'). A summary of the premiums chargeable are as follows:

***Long Term Empty Properties:***

- For properties unoccupied and unfurnished for 1 year but less than 5 years – a maximum council tax premium of 100%.
- For properties unoccupied and unfurnished for 5 years but less than 10 years – a maximum council tax premium of 200%.
- For properties unoccupied and unfurnished for over 10 years – a maximum council tax premium of 300%.

***Properties Occupied Periodically:***

- A maximum council tax premium of 100%.

For the purposes of defining a long-term empty dwelling, on any day for a continuous period of at least 1 year 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).

In respect of properties occupied periodically, the Levelling Up and Regeneration Act stated that for a premium to apply in the local area or parts of the local area for the first time, a billing authority must make its first determination under section 11C of the 1992 Act to charge a premium at least one year before the beginning of the financial year to which the premium relates. This means that in order to be able to charge a premium from 1 April 2025, a billing authority must have made its determination by 1 April 2024 at the latest. This determination was made as part of the same report last year that was presented to Full Council on 28 November 2023 where it was resolved that:

*A discretionary council tax premium of 100% is charged on properties occupied periodically ('second homes') from 1 April 2025;*

The Government may by regulations prescribe one or more classes of dwelling in relation to which a billing authority may not charge a premium. As part of an associated period of consultation, the Government stated that if such exceptions were delivered through non-statutory guidance, this may lead to inconsistency across England in the application of the premiums. Billing authorities would therefore be able to depart from guidance. Billing authorities have discretionary powers under section 13A of the 1992 Act to reduce council tax liability, however as these powers are discretionary, billing authorities may use them differently in different areas. For example, a certain class of dwelling in one area might be excluded from the premium in one area but treated differently in another area. Whilst billing authorities retain discretion over how they treat dwellings for premiums and discounts, the Government considered (following consultation) that certain statutory exceptions should apply across England. Separately, prescribing exceptions to the premium does not prevent local authorities from using their discretionary powers to reduce the additional council tax liability resulting from a premium. E.g., councils may have applied discretionary reductions in council tax liability which are more generous than the prescribed exceptions. Whilst this could result in local authorities taking different decisions, the legislative approach ensures that the baseline exceptions in the prescribed classes will be apply across England.

Following the period of consultation highlighted above, the following mandatory exceptions have now been reflected in The Council Tax (Prescribed Classes of Dwellings and Consequential Amendments) (England) Regulations 2024, which cover both long term empty properties and second homes as appropriate:

- Extends two existing exceptions for the purposes of the second homes premium – Class E and F (*dwellings that would otherwise be the sole or main residence of a member of the armed services, who is provided with a dwelling as a result of such service and a dwelling that forms part of single property that is being treated by a resident of that property as part of the main dwelling*)
- Introduces the following exception classes that relate to both the long term empty homes and second homes premium:
  - a. Dwellings that are being marketed for sale, unless it has been such a dwelling for a period of one year or more. (Dwelling Class G)
  - b. Dwellings that are being market for rent, unless it has been such a dwelling for a period of one year or more (Dwelling Class H)
  - c. dwellings which have fallen in Class F of the Exempt Dwellings Order and have undergone probate (for a period of up to 12 months after the grant of probate) (Dwelling Class I).
- Introduces the following exception classes that relate to just the second homes premium:
  - a. Dwellings that are periodically occupied in certain job related circumstances (Dwelling Class J)
  - b. Pitch occupied by a caravan, or a mooring occupied by a boat (Dwelling Class K)
  - c. Dwellings where a planning condition prevents permanent occupancy (Dwelling Class L)

- Introduces the following exception class that relate to just the long term empty homes premium:
  - a. Vacant dwellings that require or are undergoing major repair work to make them habitable, or are undergoing structural alterations. (12 months limit) (Dwelling Class M)

The above are made under Section 11B and 11D of the 1992 Act which enables the Secretary of State to prescribe classes of dwellings to which the premiums would not apply. These exceptions are separate from the existing council tax exemptions under which certain dwellings are entirely exempt from council tax. The regulations will take effect from November 2024 and the exceptions will apply to premiums charged by billing authorities from 1 April 2025.

Consequential amendments to the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 have also been made to ensure that the second homes premium is taken into account in the administration of council tax and calculations made by local authorities in setting their local council tax.

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) 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. Revised guidance was issued under section 21(1A) of the Local Government Act 2003 in April 2024, which is applicable from 1 April 2025. The proposed MRP policy statement therefore reflects this new guidance.

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. There are no plans to do so in 2025/26 which is confirmed within the attached statement.

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

<b>Yes</b>	<b>The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:</b>
------------	--

There are no further comments over and above those set out elsewhere in this report.

**FINANCE AND OTHER RESOURCE IMPLICATIONS**

**LCTS scheme for 2025/26**

As at the beginning of October 2024, the total estimated annual ‘cost’ of the LCTS scheme in 2024/25 is **£12.314m**, which is broadly in-line with the ‘base’ position budgeted for the year. Approximately 10% of this amount (**£1.230m**) falls 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** to **£100,000** 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 2025/26, but it is important to highlight that it is proposed to continue with the underlying principle of not planning 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 2024/25 is **£51,599**. For any awards over and above this annual amount, 100% of the cost is met by TDC.

The current hardship budget in 2024/25 is **£449,630**, which consists of the underlying budget highlighted above, in addition to Government grant funding carried forward from prior years. Support to households is via the application of the existing hardship policy, with **£30,537** being paid out to eligible households at the end of September 2024.

As no changes are proposed to either the LCTS Scheme or Hardship Policy in 2025/26 (apart from recognising that council tax payable on second homes / empty properties is not eligible for hardship support), no unavoidable / 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.

### **Council tax exemptions, discounts and premiums for 2025/26**

Similarly to the position for the LCTS Scheme above, as no changes are proposed to existing council tax discounts for 2025/26, including the policy for young people leaving care, no adjustments to the budget / long term forecast are expected.

In respect of the support to young people leaving care, the cost of the scheme remains relatively minimal, which is highlighted by the position at the end of September 2024 where the total cost was **£1,300**. The cost of this scheme can therefore continue to be accommodated within the wider calculation of the council tax base, each year.

### ***Long Term Empty Property Premium***

Logically, charging a 'premium' on long term empty properties would result in additional income being achieved. 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 worth highlighting that the previous lower banding of 2 to 5 years was extended, as part of the same decision last year, to 1 to 5 years that reflected increased flexibility given to local authorities by the Government. It is accepted that some homeowners do not bring their properties back into use even when a 'premium' is charged, but it is difficult to quantify this figure. However, it is recognised that some property owners will accept paying the premium rather than taking an alternative option and additional income is therefore likely to be receivable. This will form part

of the more detailed council tax setting and collection fund activities that are undertaken during the year.

However, a summary as at the end of September 2024 is as follows:

<b>Empty 'Banding' Period</b>	<b>Premium Due</b>	<b>Number of Properties Affected at the end of September last year</b>	<b>Number of Properties Affected at the end of September this year</b>	<b>Total Value</b>
1 to 5 Years	100%	163 (2-5 years)	391 (1-5 years)	£664,572
5 to 10 Years	200%	32	37	£119,960
Over 10 Years	300%	19	17	£868,285
		<b>214</b>	<b>445</b>	

The comparison to last year undoubtedly reflects properties moving between 'bandings' along with the impact of extending the bottom 'band' to 1 to 5 years from 2 to 5 years from the 1 April this year. As mentioned last year, the position above may represent those property owners that accept paying a council tax premium rather than bringing their property back into use. The Council has no local discretion on the 'bandings' applied and is already charging the maximum percentages permitted.

As part of determining the impact of charging premiums, it is important to review the collection performance associated with such council tax accounts. The following therefore sets out a summary for the properties included within the table above where recovery action has reached a reminder or summons stage:

Reminder Stage – 58 (37 at the same time last year)  
 Summons Stage – 111 (28 at the same time last year)

The above position will be kept under review going forward, with the necessary recovery action undertaken.

The premium will also be chargeable to relevant properties within the HRA. Work remains ongoing to manage the level of long term housing voids and any impact to the HRA from council tax premiums, which will continue to be considered as part of the wider HRA Business Planning Process.

**Second Homes Premium**

Similarly to long term empty property premiums, the decision to introduce a premium on second homes is aimed at incentivising alternative use of properties, so no additional income may be realised. However, it is acknowledged that some property owners will accept paying the premium rather than taking an alternative option and additional income is therefore likely to be receivable. This will form part of the more detailed council tax setting and collection fund activities that are undertaken during the year.

Based on the current position and excluding where a property owner may no longer keep the property as a second from 1 April 2025 next year when the proposed premium becomes payable or any impact of the exceptions that were highlighted earlier, the potential number of properties where such a premium would be chargeable is 1,241.



### 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 debt 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.

Although revised guidance was issued earlier in the year that comes into effect from 1 April 2025, there are no changes to the Council's approach to calculating MRP. Therefore, apart from any underlying change to the MRP calculation due to a change in the Capital Financing Requirement, there is no financial impact emerging from this revised guidance. The Council's current estimated General Fund Capital Financing Requirement as set out within the Annual Capital and Treasury Strategy that was presented to Full Council in March are summarised as follows:

2024/25	2025/26	2026/27
£4.442m	£4.264m	£4.093m

The estimated General Fund MRP charge in 2024/25 based on the most up to date Capital Financing Requirement is **£185,103**.

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

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.	

### MILESTONES AND DELIVERY

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 2025. This enables the associated calculations that support the council tax base and 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.

### ASSOCIATED RISKS AND MITIGATION

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.

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 2025/26, which supports the financial stability of residents.

### **EQUALITY IMPLICATIONS**

These form part of the wider considerations and discussions within the main body of the report.

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:-

- 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.

It is also important to highlight that the Government have acknowledge that there may be circumstances where it may not be appropriate to charge a council tax premium. Following a consultation period, the Government have introduced a number of exceptions as set out elsewhere in this report.

### **SOCIAL VALUE CONSIDERATIONS**

These form part of the considerations and discussions within the main body of the report.

### **IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030**

Not applicable

### **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 AND COUNCIL TAX HARDSHIP SCHEMES 2025/26**

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.

The Council recognises the on-going impact on residents from welfare reforms 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 the same as 2024/25 - the scheme for 2025/26 is set out as **Appendix A**.

As part of previous year's decision making, the potential exploration of alternative options in terms of the underlying design of the scheme was discussed, with one such option based on a 'banding' approach. It is understood that some local authorities have adopted such an approach, which will inherently create 'winners' and 'losers' in terms of the financial support awarded. The Council's current scheme is based on a means tested approach, which although likely to be more administratively burdensome and potentially duplicate effort for prospective claimants who may have to provide the same information to the DWP if claiming other financial support, it is felt that it provides the basis for a potentially fairer system.

Notwithstanding the above, such alternative approaches will be kept under review, but the current means tested approach will continue for 2025/26.

***For information, statistics relating to the LCTS scheme in 2024/25 are set out below:***

As at the end of September 2024:

There are currently 11,772 household receiving LCTS.

The total working age households receiving support is 5,943

The total pensioner households receiving support is 5,829

### **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 continues to highlight 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 2025/26, apart from recognising that council tax payable on second homes / empty properties is not eligible for support.

## **PROPOSED COUNCIL TAX DISCOUNTS, EXEMPTIONS AND PREMIUMS 2025/26**

### **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. These relate to 4 classes of unoccupied dwelling and for 2025/26 it is proposed to keep the level of discount at the same level as 2024/25 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.

Council tax income raised following the impact of the 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 in 2022/23 to support young people leaving care. It is proposed to continue with an unchanged policy going into 2025/26, 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 and is applied across 3 'bands' based on the length of time the property has been unoccupied for. The Government sets a maximum 'premium' that can be charged against each of the 3 'bands', with the highest amount being 300% for a property that has been empty for over 10 years.

It is worth highlighting that the Government expanded the lower 'banding' for 2024/25, which this Council adopted from 1 April 2024. The expanded 'banding' meant that a property that has been unoccupied for 1 year would now attract a council tax premium, unless otherwise determined by the Local Authority, instead of 2 years, which was previously the case.

The existing chargeable premiums are set out in **Appendix E** and it is proposed that these remain unchanged for 2025/26.

### **Premium on Second Homes (Properties Occupied Periodically)**

As set out earlier in this report, the Council approved the introduction of a council tax premium of 100% on second homes from 1 April 2025, which is subject to confirmation or otherwise as part of this report.

As part of the Government's introduction to such a premium, recognition was given to the impact that second homes can have on communities, particularly where a significant proportion of properties are not occupied all year round. Large numbers of such properties can contribute to housing supply pressures and risk the sustainability of local services e.g. large concentrations of second homes reduce the size of the permanent population, which can lead to unfavourable impacts on the local economy / local services.

At the present time there are 1,241 properties that would be subject to this premium if they remained 'second homes' from 1 April 2025.

In terms of second homes (and long term empty properties) the previous government recognised that the premiums were not intended to penalise owners who were making a genuine effort to make use of the properties. As highlighted in the legal section above, following a period of consultation, the previous government regulated for when the premium should not apply, with a number of exceptions therefore introduced. The current Government considered the consultation responses and decided to continue with the policy announced by the previous Government and introduced the necessary regulations.

Since the decision of Full Council there has only been a limited level of feedback regarding the introduction of this premium. The general tone from some second homeowners is that these are not empty dwellings which are not in use and are being used as and when they choose to. Customers have stated that they feel that it is unfair to charge double when they are not using the local services as often as a resident that lives in the area on a permanent basis and they are already paying a full council tax for their main residence. Conversely, some people have also stated that they stay at their second properties for significant parts of the year and therefore contribute to the local area and that the introduction of a second home premium is not justified on this basis.

It is also recognised that fraudulent attempts may be made by the owners of second homes to try and register their property as a person's sole/main residence to avoid paying the second home premium charge. This would reduce the income due to the Council by 25%, if applications for a single person discount are made. It is therefore acknowledged that 'policing' this may be time consuming and require capacity to prove / disprove sole / main residency, which would be required on a case by case basis. However, it will be important to ensure that the integrity of the Council Tax system is maintained and that second homes are correctly recognised as such and effective ways to respond to this potential risk will be considered, such as 'spot checks' and timely reviews during the year.

Although the above point is appreciated, it is useful to refer back to the previous Government's original principle highlighted earlier, that relates to the potential for second homes to reduce the size of the permanent population, which can have an impact on the local economy and local services.

The proposed introduction of a council tax premium is not based on raising income but to encourage the supply of properties for local people to occupy on a permanent basis that in turn support the local economy and local services.

The associated chargeable premium is included within **Appendix E**.

### **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 and premiums.

Apart from the feedback highlighted above regarding the introduction of a council tax premium on second homes, no other relevant issues have been raised.

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

Attached as **Appendix F** is the proposed Annual MRP policy statement for 2025/26 that sets out how assets funded by borrowing are accounted for, which is required to be approved by Full Council each year.

As highlighted in the Legal Section earlier, revised guidance was issued earlier in the year that is applicable from 1 April 2025. The main changes set out within this revised guidance included the following, which were primarily in response to some local authorities taking high risk decisions when calculating their Minimum Revenue Provisions:

- Local authorities cannot exclude any amount of CFR from its calculation, unless by an exception set out in statute.
- Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue.

The revised guidance states that these measures were taken to strengthen compliance with the duty to make MRP and failure to do so, through under-charging of MRP, creates risk to Local Authorities, the finance system and to local and national taxpayers. Under-provision can result in a local authority being unable to repay a proportion of its debt, passing the liability to future taxpayers, which will need to be met from capital receipts or accelerated MRP payments. Further, if a prudent charge is not made, then this can also encourage Local Authorities to take on greater levels of debt than might otherwise be affordable.

Local Authorities may vary the methodologies that they use to determine prudent provision during the year provided there is justifiable reason to do so in compliance with statute, associated guidance and proper practices. Local authorities should not change their MRP policy or methodologies where the primary objective of any change is to reduce the revenue charge. When a local authority varies the methodology used to determine prudent provision, they should present a revised MRP statement to the next meeting of Full Council or equivalent explaining the rationale for the change and the financial impact. Where a change in MRP methodology would impact on the value for money assessment of investments, the updated statement should summarise this impact

This Council has not been impacted by the revised guidance as it was not undertaking the higher risk activities mentioned above that prompted the Government to take the necessary action that they have.

The Government stated that: *revised guidance introduced more prescription into statute rather than a substantive policy change. The government was clear at the time that these*

*changes were a “strengthening” of the duty to make MRP. Those local authorities that were already making prudent provision would be unaffected.*

Notwithstanding the above, although the underlying approach to calculating the MRP remains unchanged, the attached statement has been amended to reflect the highlighted changes, which includes affirmative statements relating to the points set out in the revised guidance e.g. the Council has not deviated from the guidance and there are no plans to use capital receipts to offset MRP.

The attached statement also now includes a brief explanation relating to the determination of the Council’s Capital Financing Requirement (a key determinant behind the calculation of MRP)

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 2025/26 over the coming months.

#### **PREVIOUS RELEVANT DECISIONS**

The Local Council Tax Support Scheme, Discretionary Council Tax Exemptions / Discounts / Premiums for 2024/25 and Annual Minimum Revenue Provision Policy Statement 2024/25 Report – Item A.3 Full Council 28 November 2023

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

None

#### **APPENDICES**

**Appendix A** Proposed Local Council Tax Support Scheme (summary) 2025/26  
**Appendix B** Council Tax Exceptional Hardship Policy  
**Appendix C** Council Tax Discounts and Exemptions 2025/26  
**Appendix D** Care Leavers Council Tax Discount Policy  
**Appendix E** Council Tax Premiums 2025/26  
**Appendix F** Annual Minimum Revenue Provision Policy Statement 2025/26

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

<b>Name</b>	<b>Richard Barrett</b>
<b>Job Title</b>	<b>Director (Finance and IT)</b>
<b>Email/Telephone</b>	<a href="mailto:rbarrett@tendringdc.gov.uk">rbarrett@tendringdc.gov.uk</a> <b>(01255) 686521</b>