

COUNCIL

27 April 2022

Report of the Director of Resources

## **COUNCIL TAX DISCRETIONARY DISCOUNTS**

### **PURPOSE OF REPORT**

The report asks Members to agree to changes to the Council's policy for council tax discretionary discounts (under section 13A 1 (c) of the Local Government Finance Act 1992) to:

- allow more flexibility to backdate awards to care leavers, and
- to add an appeals process for all dissatisfied applicants.

The report also seeks approval for a new class of discount for those in receipt of council tax support and facing a Homes for Ukraine-related increase in council tax liability during 2022/23.

### **RECOMMENDATION**

1. That approval is given to the revised Policy for council tax discretionary discounts (under section 13A 1 (c) of the Local Government Finance Act 1992), attached as Appendix 1.
2. That approval is given for a new class of discount where a discount is provided to offset a Homes for Ukraine-related increase in council tax liability during 2022/23.

### **WARDS AFFECTED**

All

### **STRATEGIC LINK**

Awarding discretionary council tax discounts provides financial support to vulnerable households within the district.

## **1 REPORT**

1.1 The Council has a policy to award discretionary council tax discounts (under section 13A 1 C of the Local Government Finance Act 1992). The policy is intended ultimately to enable the Council to provide discounts:

- to specific classes of applicants, such as care leavers; or
- to those who would suffer undue financial hardship if they had to pay the

council tax without a discretionary discount, in cases of unforeseen or exceptional circumstances that affect their homes or wellbeing; or

- to comply with government guidance.

1.2 The cost of these discretionary discounts is borne wholly by this Council, whereas council tax income is shared between major preceptors, with this authority retaining around 14%.

1.3 It is proposed that the Council's policy for council tax discretionary discounts (under section 13A 1 (c) of the Local Government Finance Act 1992) be updated for the reasons set out below.

1.4 Changes to the policy relating to backdating of discounts for care leavers.

1.4.1 Paragraph 3.5 of the current policy sets out the criteria for the award of discretionary council tax discounts for care leavers. While the policy states that discounts may be awarded "from the date of the care leaver's 18th birthday until the day immediately preceding their 25th birthday", it also states that "Applications may be backdated to 1 April in the year of application if the 18th birthday fell in the previous year". This restriction on backdating has recently led to objections from two applicants who had not been made aware of the discount until sometime after they had become liable for the council tax on their respective properties.

1.4.2 In one case (the other is similar), a care leaver moved in to a property as a sole occupier on 13.10.20 and has been made liable for Council Tax with the 25% sole occupier discount. The care leaver has been confirmed as meeting the criteria for a discount. No other discounts (e.g. Council Tax Support or student exemption) apply. Therefore they would qualify for a care leaver discount from 13.10.20 onwards to be covered by a 100% Care Leaver Discount, except for the fact they have not applied for the discount until 14.11.21. Under the current policy we can only backdated to 01.04.21, leaving the care leaver liable to pay the full council tax for the period between when they moved into their property (13.10.20) to 31 March 2021.

1.4.3 Officer comments: The restriction on backdating could be seen as unfair to those care leavers who might not have been made aware of the discounts available and / or the impact of a delay in making an application. Therefore, it is recommended that the following wording should be removed from the Council's policy: 3.5 (iii) "Applications may be backdated to 1 April in the year of application if the 18th birthday fell in the previous year". Given that the number of cases has been very low, this is not expected to result in a significant cost pressure for the Council.

1.5 Approval of a new class of discount to offset a Homes for Ukraine-related increase in council tax liability during 2022/23

1.5.1 On 1 April 2022 the government issued a Council Tax Information Letter which set out the steps it would take to deliver the Secretary of State's commitment that participation in the Homes of Ukraine scheme would not affect the sponsor household's council tax status. Regulations have since been laid so that a person who has secured an immigration permission under Homes for Ukraine is disregarded for council tax discounts. This will protect the sponsor's single person discount and the 50% discount received by households where all the occupants are already disregarded. The regulations also amend the Council Tax (Exempt Dwellings) Order 1992 so that there is no loss of an exemption where a household hosts a person who has secured an immigration permission under Homes for Ukraine.

- 1.5.2 The local council tax support (LCTS) applications of households participating in Homes for Ukraine could be affected by the £350 monthly 'thank you' payment and non-dependent deductions arising from the presence and income of their Ukrainian guest. LCTS schemes for 2022/23 had to be finalised by 11 March 2022. The Local Government Finance Act 1992 ('the 1992 Act') does not permit the in-year changes necessary to create new Homes for Ukraine-related disregards. However, billing authorities may wish to consider whether the locally designed terms of their current working age schemes might allow such a disregard.
- 1.5.3 To protect the LCTS reductions of sponsoring households, the Government encourages billing authorities to reverse any Homes for Ukraine impacts by providing discretionary discounts under s13A(1)(c) of the 1992 Act. To facilitate this, the new Collection Fund (Council Tax Reductions) (England) Directions 2022 specify that where a discount is provided to offset a Homes for Ukraine-related increase in council tax liability during the remainder of 2022/23 the billing authority is not required to make a payment into the collection fund. The net impact of this measure will be that billing authorities and major preceptors will receive the same amount of income as if there had been no Homes for Ukraine impact on the LCTS claim.
- 1.5.4 It is therefore recommended that approval is given for a new class of discount (where a discount is provided to offset a Homes for Ukraine-related increase in council tax liability during 2022/23. Before determining the award of a discount to any class of properties or persons the policy states that the Council shall consider:
- i. Whether the proposed class would attract any existing statutory exemption or discount; *(the answer is "No" hence the government's proposed course of action)*
  - ii. The likelihood of funding coming from other sources which could be used to reduce the Council Tax liability to the proposed class (or reduce the cost to the Council of such an award) e.g. central government funding for victims of national disasters or individuals having their own insurance cover; *(these discounts will be offset by the reduction in such persons' council tax support payments)*
  - iii. The financial cost to the council of granting a local discount to the proposed class; *(no additional cost, due to the CTS offset)*
  - iv. The ongoing effect of granting the discount e.g. is the discount so generous that it might attract persons falling into that class to relocate to the District thus incurring further financial costs? *(this is considered unlikely as this class only applies to 2022/23 for as long as the household receives the thank you payments)*
  - v. The "reasonableness" of granting a local discount having regard to the impact on other council tax payers within the District. *(Officers feel that it is reasonable to offer this financial safeguard to host households, especially as it has no overall increase in costs for the Council).*
- 1.5.5 It will not be necessary for council tax payers to formally apply for these discounts provided to offset a Homes for Ukraine-related increase in council tax liability during

2022/23. Officers dealing with adjustments to council tax support in such cases will automatically apply the discount for 2022/23. This will result in revised bills (with less council tax support, offset by a discount), but the overall amount to pay will remain unchanged.

## 1.6 Changes to the policy to add an appeals process

1.6.1 Under the policy, the decision to award a discount or reject an application is made by the Director of Resources under delegated authority.

1.6.2 The current policy states that if a council tax payer disagrees with the Director of Resources' decision, the council tax payer may make an appeal to the Valuation Tribunal. The Valuation Tribunal is independent of the Council and will consider the case at a hearing. The process is explained [on their website](#).

1.6.3 The Council's Legal Services Manager has recently reviewed the current policy and stated that it would be good practice for the Council to have its own review / appeals process prior to directing dissatisfied council tax payers to the Valuation Tribunal.

1.6.4 Officers consider that the best approach would be to refer such requests to the Appeals Committee. The policy has been updated to reflect this.

## 2 RISK ASSESSMENT

### 2.1 Legal

The Council is allowed to give discretionary discounts to Council Tax under section 13A 1 (c) of the Local Government Finance Act 1992. This policy clarifies the situations in which officers can exercise their delegations to grant such discounts. The adoption of the policy reduces the risk of successful appeals in refusing discounts if the policy is followed, therefore the legal risk is low.

### 2.2 Financial

Care leaver backdating - While income from council tax has to be shared with major preceptors (this Council receives around 14%), the cost of these discounts is borne wholly by this Council. Removing the cap on backdating care leaver discounts will, therefore, increase costs to the Council, the value of which is difficult to forecast at this stage. However, given the levels of discounts awarded in recent years and the changes that are proposed in this report, the cost of this change is not expected to be significant.

Appeals process – the costs of the revised appeals process can be met from existing budgets.

Class of discounts provided to offset a Homes for Ukraine-related increase in council tax liability during 2022/23 – this discount will be offset by a corresponding reduction in council tax support. Regulations have been laid by the government so that the costs of these discounts are not wholly borne by the billing authority but shared amongst major preceptors. This means that there is no overall cost to this council.

The financial risk of the report recommendations is assessed as low.

### **3 OTHER CONSIDERATIONS**

- 3.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, health, human rights, personnel and property.
- 3.2 Climate change: There are not considered to be any climate change impacts associated with the recommendations of this report.

### **4 CONTACT INFORMATION**

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### **5 BACKGROUND PAPERS**

- 5.1 Government guidance relating to Thank You Payments for Homes for Ukraine <https://www.gov.uk/government/publications/82022-council-tax-information-letter-01-april-2022>

### **6 ATTACHMENTS**

**Appendix 1** – Revised policy for council tax discretionary discounts under section 13A 1 (c) of the Local Government Finance Act 1992)