

Report to: **COUNCIL**

Date: **20 February 2024**

Title: **Council Tax Discounts and Council Tax Reduction Scheme 2024/25**

Portfolio Area: **Cllr Mandy Ewings - Leader of The Council**

Wards Affected: **ALL**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: Upon the expiry of this meeting.

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RECOMMENDATIONS:

It is RECOMMENDED that the Council:

- 1. NOTES the contents of the report.**
- 2. APPROVES a local Council Tax Reduction Scheme for 2024/25 as follows:**
 - Make no changes to the bands of the current banded scheme.**
 - Removes the Minimum Income Floor (MIF) for self-employed Claimants.**
 - Disregards 100% of the of the 'Limited Capability for Work' element of Universal Credit.**
- 3. ADOPTS, with effect from 1 April 2024, the following Council Tax discounts:**
 - (a) The discount for unoccupied and substantially unfurnished properties is 100% for a maximum period of 1 month.**
 - (b) The discount for unoccupied and substantially unfurnished properties for 1 month to 1 year is zero.**
 - (c) The discount for properties which require major repair work to render them habitable is 50% for a maximum period of 12 months.**

- (d) The discount for unoccupied furnished properties (second homes) is zero.**
 - (e) An empty homes premium of an additional 100% is levied on properties that have remained unoccupied and unfurnished for at least one year, but less than five years.**
 - (f) An empty homes premium of an additional 200% is levied on properties that have remained unoccupied and unfurnished for at least five years, but less than ten years.**
 - (g) An empty homes premium of additional 300% is levied on properties that have remained unoccupied and unfurnished for at least ten years.**
- 4. ADOPTS, with effect from 1 April 2025, a Second Homes Premium of 100%.**

1. Executive summary

- 1.1 There is a requirement to have a Local Council Tax Reduction Scheme (LCTRS) to support residents who qualify for assistance in paying Council Tax. The Local Government Finance Act 1992 (as amended) requires each billing authority in England to have a scheme specifying the reductions which are to apply to amounts of council tax payable by persons, or classes of persons, whom the authority considers are in financial need ("a council tax reduction scheme").
- 1.2 The LCTRS must be approved by 11 March for the following year and the billing authority must consult with major preceptors and any other person who may have an interest in any proposed changes to the scheme.
- 1.3 At its meeting on 19 September 2023, Hub Committee gave its approval to consult on changes to the LCTRS for 2024/25, to ensure the Council continues to provide as much support as possible to residents during the Cost-of-Living crisis (Min 18/23).
- 1.4 This report provides Members with a summary of the consultation responses. Members are asked to consider the content of this report and to recommend to Council a local Council Tax Reduction Scheme for the financial year 2024/25.
- 1.5 The report also sets out the current council tax discounts and premiums and reaffirms the Council's intention to levy a 100% premium on Second Homes as allowed by the Levelling-Up and Regeneration Act 2023.

- 1.6 A version of this report was also considered by the Hub Committee at its meeting held on 30 January 2024 during which Hub Members recommended approval of each of the recommendations (Minute HC 45/23 refers).

2. Background

- 2.1 Since April 2013, the Council has been required to establish a local Council Tax Reduction Scheme to help working age residents on a low income pay their council tax. This scheme replaced the national scheme for Council Tax Benefit which was fully funded by central government.
- 2.2 The Council is also required to administer the prescribed Government Council Tax Reduction Scheme for pension age residents and is not able to make any changes to this scheme.
- 2.3 It is an annual requirement for Councils to review their working age Council Tax Reduction Scheme and decide whether to continue with the same scheme or revise it.
- 2.4 In 2019, the Council introduced a banded scheme which assessed the maximum level of Council Tax Reduction based on the net income of the claimant and their partner, if applicable. The income bands were amended for the 2023/24 scheme with some bands being uplifted by 20% to reflect additional cost of living pressures.
- 2.5 At its meeting of 19 September 2023, Hub Committee agreed to public consultation on two proposed changes to the CTRS for 2024/25. The two proposed changes are to remove the Minimum Income Floor (MIF) for self-employed claimants and to disregard 100% of the Limited Capability for Work element of Universal Credit.

3. Outcomes/outputs

Proposed Council Tax Reduction Scheme for 2024/25

- 3.1 The public consultation Let's Talk "Have your say on our Council Tax Reduction Scheme 2024/25 ran from 17 October to 28 November.
- 3.2 The proposals consulted on were as follows:

- **Removal of the Minimum Income Floor (MIF)**

The Minimum Income Floor is where the scheme (following an exemption for the first 12 months) assumes a certain level of self-employed profit, which is linked to the national minimum wage, even if the claimant did not earn that amount.

- **Disregard 100% of the 'Limited Capability for Work' element of Universal Credit.**

Currently claimants receiving Employment and Support Allowance are treated as a 'passported' claim and receive 85% council tax reduction. When they transfer to Universal Credit, they are awarded a Limited Capability for Work element of £390.06 per month. Universal Credit is not a passported benefit and the Limited Capability for Work element is treated as income.

- 3.3 There were 297 visitors to the Consultation portal, however only 43 of these visitors took the opportunity to respond to the consultation questions.
- 3.4 The Council also wrote to all major preceptors seeking their views on the proposed changes to the scheme. Devon and Somerset Fire and Rescue and the Office of the Police and Crime Commissioner for Devon and Cornwall have both confirmed they are happy with the proposals. Devon County Council have confirmed, on balance, they support the proposed changes, but would like us to consider providing support to care leavers through the local Council Tax Reduction Scheme.

Summary of consultation responses

- 3.5 The public consultation received 43 responses, with 27 of respondents saying they live in West Devon This question was optional.
- 3.6 There were 43 responses to the proposal to remove the Minimum Income Floor, broken down as follows with all respondents answering the question.

Question:

Do you agree with the proposal to remove the Minimum Income Floor?

Response	Response number	Percentage
Yes	31	72%
No	12	28%
Did not answer	0	0%

- 3.7 The proposal to disregard 100% of the 'Limited Capability for Work' element of Universal Credit, received 43 responses with 1 respondent choosing not to answer this question. The responses can be summarised as follows:

Question:

Do you agree with the proposal to disregard 100% of the 'Limited Capability for Work' element of Universal Credit?

Response	Response number	Percentage
Yes	36	84%
No	6	14%
Did not answer	1	3%

3.8 Although the overall number of responses to the consultation was low, there was a majority in favour of the proposals, with 72% of respondents supporting the proposal to remove the minimum income floor for self-employed claimants.

3.9 The second proposal, which was to disregard 100% of the Limited Capability for Work element of Universal Credit, had a higher level of support with 84% of respondents in favour of this proposal.

3.10 Having taken into consideration the responses to the public consultation, the Council recognises that one of the best ways it can continue to support residents during the current cost of living crisis it to make the proposed changes to the CTRS.

3.11 The weekly income bands, effective from 1 April 2023, and which will remain unchanged from 1 April 2024, are detailed in the table below:

Band	Reduction	Single	Couple	Family 1	Family 1+
1	85%	£0.00 to £95.00	£0.00 to £138.00	£0.00 to £220.00	£0.00 to £355.00
2	80%	£95.01 to £132.00	£138.01 to £180.00	£220.01 to £282.00	£355.01 to £385.00
3	50%	£132.01 to £192.00	£180.01 to £240.00	£282.01 to £342.00	£385.01 to £435.00
4	25%	£192.01 to £246.00	£240.01 to £294.00	£342.01 to £396.00	£435.01 to £480.00

Council Tax Discounts and Premiums

3.12 The Local Government Finance Act 2012 abolished certain council tax discounts with effect from 1 April 2013 and replaced them with discounts which can be determined locally. The table below details the existing discounts the Council has in place and it recommended that these discounts remain the same for 2024/25.

Class	Description	2023/24 Discount	Proposed discount from 1 April 2024
A - Second Homes	Dwellings which are no one's sole or main residence and which are substantially furnished and subject to a 28-day planning restriction.	0% discount	0% discount
B - Second Homes	Dwellings which are no one's sole or main residence and are substantially furnished.	0% discount	0% discount
Class C	Dwellings which are unoccupied and substantially unfurnished.	100% discount for a period of 1 month.	100% discount for a period of 1 month.
Class D	Dwellings which are unoccupied and require major repair work to render them habitable.	50% discount for a maximum period of 12 months.	50% discount for a maximum period of 12 months.

Empty Homes Premium

3.13 Prior to 1 April 2013, billing authorities could charge up to a maximum 100% council tax on dwellings that had been empty for more than two years. From 1 April 2013, billing authorities were given new powers to charge a premium of up to 50% of the council tax payable. Further legislation was then introduced allowing a 100% empty homes premium to be levied from 1 April 2019.

3.14 There were then further incremental changes leading to the current position which is as follows:

Description	Premium
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Dwellings left unoccupied and substantially unfurnished for two years or more.	100%
Dwellings left unoccupied and substantially unfurnished for 5 years or more.	200%
Dwellings left unoccupied and substantially unfurnished for 10 years or more.	300%

- 3.15 The original legislation and subsequent amendments were introduced with the express intention of encouraging owners to bring empty properties back into use and the Council charges the maximum premium in all cases.
- 3.16 The Levelling-Up and Regeneration Act 2023 gives the Council additional powers to apply the empty property premium of 100% after 12 months rather than the current two years.
- 3.17 If agreed, this would be effective from 1 April 2024. There are currently 87 dwellings which would become subject to the premium. The estimated additional yield from council tax would be £0.2m of which the Council's share would be approximately £22,000 (11%).

Second Homes Premium

- 3.18 The Levelling-Up and Regeneration Act 2023 also amends the Local Government Finance Act 1992 to give billing authorities the discretion to charge additional council tax of up to 100% on dwellings which are occupied periodically, substantially furnished and where no one is resident for council tax purposes, i.e., second homes.
- 3.19 The Council declared a housing crisis in September 2021 and backed the declaration with a 12-point action plan, which included lobbying the Government to allow councils to charge a 100% premium, i.e., 200% council tax, on second or holiday homes, to ensure they contribute fairly to the services they receive.
- 3.20 Under Section 11C (3) of the 1992 Act, any decision to increase the council tax on second homes must be made at least one year prior to the beginning of the financial year to which it relates, hence it can only take effect from 1 April 2025 at the earliest.
- 3.21 There are currently 692 properties on our council tax records classified as a second home. It should be noted that the Government consulted on 'Proposals to exempt categories of dwellings from the council tax premiums' in August 2023. At the time of writing, the outcome of the public consultation has not

been published. Once regulations and/or guidance is issued confirming the exemptions, there may be a number of dwellings which are exempt from paying the premium.

- 3.22 If the recommendation to charge a council tax premium on second homes is adopted, from 1 April 2025, the estimated additional yield from council tax would be £1.6m of which the Council's share would be approximately £0.17m (11%).
- 3.23 The key impact of second homes is to remove a significant number of homes from the local housing market, with properties that would otherwise be available to provide permanent homes for local people being used as holiday homes by people whose primary residency is outside the borough. For this reason, the Council believes that the additional money raised by the second homes premium should be invested back into housing. West Devon Borough Council is working with other Councils across Devon to make the case that all additional council tax raised should be ringfenced to address housing challenges, including to acquire existing properties to provide temporary accommodation, to support people with complex needs and the provision of specialist accommodation with supported facilities for care leavers.

4. Options available and consideration of risk

- 4.1 The Council could choose not to charge the local Council Tax Reduction Scheme for working age residents. In doing so we would continue to provide support for the wider cohort of residents through our income-banded scheme, however it would mean we wouldn't be providing additional support to residents who are trying to set up their own business or who have a disability or health condition which affects how much they can work.
- 4.2 The outcome of the public consultation undertaken in October and November 2023, is that both the major preceptors and the public are broadly supportive of the proposed changes.
- 4.3 The Council could choose not to charge a 100% premium on second homes. This option is not recommended for the reasons outlined in the report.
- 4.4 The Council could choose not to increase the council tax empty homes premium to 100% for dwellings empty for between 1 and 5 years (currently between two and five years), from 1 April 2024. This decision would not align with the Council's clear ambition to bring empty properties back into use to increase the supply and affordability of housing in the borough.

5. Proposed Way Forward

- 5.1 The Council Tax Reduction Scheme for 2024/25 is agreed as set out in the consultation. The revised scheme will ensure the Council provides as much support as possible to low-income households.
- 5.2 The Council confirms the council tax discounts and premiums applicable from 1 April 2024 and the premium on second homes which will be charged from 1 April 2025.
- 5.3 The approach taken by the Council is to encourage council taxpayers to use a dwelling as their main residence or allow others to do the same. It also seeks to bring empty properties back into use to increase the supply and affordability of housing in the borough.
- 5.4 The implementation of revised and additional council tax premiums will provide additional income from council tax which will be used to provide services to residents.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>The Welfare Reform Act 2012 abolished Council Tax Benefit and instead required each billing authority to design a scheme for working age residents specifying the reductions which are to apply to amounts of council tax.</p> <p>All billing authorities in England are required to have a scheme identifying the reductions payable by residents who are in financial need under Section 13A of the Local Government Finance Act 1992 (updated in 2012). Schedule 1A paragraph 5 of the Act states that for each financial year, Councils must consider whether to revise their scheme or replace it with another scheme and that such decisions need to be made by 11 March in the financial year preceding that for which the revision or replacement scheme is to take effect. If the Council does not make/revise its scheme by 11 March 2024, a default scheme will be imposed on the Council which will be effective from 1 April 2024.</p> <p>The Levelling-Up and Regeneration Act 2023 makes amendments to the 1992 Act, and these are explained in the body of the report.</p>
Financial implications to include reference		The cost of the Council Tax Reduction Scheme is met by West Devon Borough Council, and the major presenting authorities, in proportion to their share

to value for money		<p>of the council tax. The CTR Scheme is reflected within the Tax Base calculation as a discount.</p> <p>Previous CTR schemes have always been modelled on a cost neutral basis, in that the cost of the scheme was the equivalent of the level of Government funding.</p> <p>Removing the Minimum Income Floor and disregarding the Limited Capability for Work element will increase the cost of the scheme by around £164,825. The scheme is projected to cost £3.981 million as opposed to the current cost of £3.186 million. WDBC's share of the increase in cost is around 11% of this i.e., £18,131.</p> <p>The Council Tax Collection Fund is in surplus by £3.16m as at 31.3.2023. A distribution of the surplus will be made to all major precepting authorities as part of the 2024/25 Budget setting process. This can be a way of financing the additional cost of the 2024/25 CTR scheme of £164,825, as although the scheme will cost more, preceptors will be receiving a larger distribution of a collection fund surplus than usual due to the level of the surplus on the fund.</p>
Risk		<p>To reduce the cost to the Council, changes would have to be made to the level of support made to working age claimants. Most local authorities have already incorporated a reduced level of support into their local schemes and they should be reviewed on an annual basis. There is a risk that the cost of maintaining the current local scheme will increase if the number of claimants rises due to the state of the local and national economy.</p>
Supporting Corporate Strategy		<p>Supporting the Council's response to the Cost-of-Living Crisis.</p>
Consultation & Engagement Strategy		<p>Public consultation has been carried out on the proposed Council Tax Reduction Scheme to inform the content of this report.</p>
Climate Change - Carbon / Biodiversity Impact		<p>No direct carbon/biodiversity impact arising from the recommendations.</p>
Comprehensive Impact Assessment Implications		

Equality and Diversity		The local Council Tax Reduction Scheme only impacts a specific group of people, namely working age residents on a low-income. The proposals set out will provide additional support to those residents.
Safeguarding		None as a direct result of this report, however the local Council Tax Reduction Scheme may help keep vulnerable children and adults safe.
Community Safety, Crime and Disorder		None as a direct result of this report, however some of the recommendations may help to reduce crimes such as domestic violence.
Health, Safety and Wellbeing		Financial wellbeing is crucial to the wellbeing of our residents and the recommendations in this report are designed to support this.
Other implications		None.

Supporting Information

Appendices:

None.

Background Papers:

None.