

# Local Council Tax Support Scheme & Council Tax Premium Proposals



<b>Report to:</b>	Cabinet
<b>Date:</b>	15 January 2024
<b>Portfolio Holder:</b>	Councillor James Leppard, Portfolio Holder for Finance and Governance
<b>Lead Officer:</b>	Donna Beechener, Assistant Director Revenues and Benefits (01279) 446245
<b>Key Decision:</b>	Yes
<b>Forward Plan:</b>	Forward Plan number I015982
<b>Call In:</b>	This item is not subject to call in procedures because it stands as a recommendation to Full Council
<b>Corporate Priority:</b>	Improve council services
<b>Wards Affected:</b>	None specifically

## **Recommended that Cabinet:**

- A** Acknowledges the current position regarding the 2023/24 Local Council Tax Support Scheme and endorses continuing stability within the scheme for 2024/25 and recommends to Full Council that the current Local Council Tax Support Scheme remains unchanged for the 2024/25 financial year.
- B** Recommends to Full Council that a Council Tax premium of 100% is levied in respect of empty and substantially unfurnished properties 12 months after the property becomes vacant, with effect from 1 April 2024.
- C** Recommends to Full Council that the application of a Council Tax premium of 100% is levied in respect of dwellings which are unoccupied but substantially furnished (second homes) with effect from 1st April 2025.
- D** Recommends to Full Council that the proposed Empty Homes and Second Homes Policy 2024/25 be adopted, and that the Section 151 Officer is given delegated powers to

implement the policy in regard to empty properties in line with the council's requirements and any guidance given by the Secretary of State or regulation.

### **Reason for decision**

- A** In accordance with the Welfare Reform Act 2012, and the Local Government Finance Act 2012, councils are required to implement a Local Council Tax Support Scheme (LCTS) annually, and by 11 March each year at the latest for the forthcoming financial year.
- B** In accordance with the Local Government Finance Act 1992, as amended by the Local Government Finance Act 2012 and The Levelling Up & Regeneration Act councils have discretion to vary the amount of council tax charged in respect to unoccupied properties in certain prescribed circumstances.
- C** In accordance with the Local Government Finance Act 1992, as amended by the Local Government Finance Act 2012 and The Levelling Up & Regeneration Act, councils have discretion to vary the amount of council tax charged in respect to unoccupied but furnished properties in certain prescribed circumstances.
- D** Council Tax premiums for second homes will not take effect until 1 April 2025 at the earliest. However, it is essential that a decision is made by the council before 31 March 2024 to give the required one-year notice. Accordingly, it is recommended that the council's Section 151 Officer be given delegated authority to implement a policy in line with guidance and regulations once published.

### **Other Options**

- A** No other options have been considered as the Council is legally required to implement a Local council Tax Support Scheme.
- B** The implementation of premiums is discretionary on the authority. As such, the Council could decide not to implement the proposed changes and policy.

### **Background**

#### **Local Council Tax Support**

1. The national Council Tax Benefit (CTB) scheme, which was wholly funded by Central Government and administered locally by billing authorities, was abolished with effect from 1 April 2013. Each local authority was charged with designing and implementing its own local scheme for the 2013/14 financial year against a backdrop of a 10% reduction in national funding when compared with CTB. The scheme must be reviewed annually and

the Council approved its local scheme for the 2023/24 financial year at its meeting held on 1 December 2022.

2. Prior to the introduction of LCTS there had been no cap on CTB expenditure under the national scheme. However, under LCTS Government funding was restricted through the introduction of a cash limit in the form of a fixed grant. In addition, the grant was set at a level which was 10% less than the previous council tax benefit expenditure estimated from 2012/13. For the council this represents a reduction in funding of around £1.3 million per annum from April 2013.
3. The grant for LCTS was originally identified specifically within the council's overall Revenue Support Grant and retained Business Rates income for 2013/14. The level of funding for 2014/15 and future years has not been identified in the same way and has been included in the council's overall Formula Funding. As a result of this there is no protection for the LCTS funding, and it is subject to the wider Government cuts to local government funding. Since the introduction of the scheme the council's overall funding has reduced by over 55% but there has been no reduction in the council's support of its LCTS scheme.
4. To ensure that Pensionable Age customers should be no worse off under the local scheme, national rules remain in place for this group of claimants. As protection remains in place for those of Pensionable Age, the impact of the reduction in funding has fallen upon Working Age claimants as reported during the implementation of the annual schemes since 2013/14.
5. Harlow Council is part of a Pan Essex Project Group, with a remit to design an Essex Framework for LCTS. The principles of the framework were reported to Cabinet on 12 July 2012. On 22 November 2012, the council adopted a LCTS scheme following public consultation during the summer of 2012 based on these principles, which are detailed below:
  - a) The scheme will be cost neutral.
  - b) Council tax support will continue to be assessed on a means tested basis.
  - c) Council tax support will not be paid above Council tax band H.
  - d) Council tax support is capped at 76% of council tax liability.
  - e) The first £25 of weekly earnings is disregarded in the calculation of support.
  - f) There is no entitlement to support where the applicant has capital of over £6,000.
  - g) Second adult rebate and underlying entitlement were abolished to remove the administrative burden of these.

6. For comparison purposes, the LCTS schemes for the other Essex District and Unitary Councils are attached at Appendix A, but it should be noted that some Essex Council's have moved to a banded scheme and some are recommending a move to a Banded LCTS scheme for 2024/25.
7. The council has ensured that in the development of its local scheme the eligibility criteria for LCTS remains aligned with the previous national council tax benefit scheme, with specific protection for families and persons with disabilities. In addition, and despite the reductions in overall Government grant received by the Council, the scheme has been supported and maintained without variation to the above principles.
8. The 2013/14 scheme was designed to deliver savings of £1,361,235 to ensure that expenditure on LCTS did not exceed the total Government funding allocated for the scheme. The LCTS scheme costs for the current and previous financial years are detailed below using 30 September as a point in time for consistency purposes. In 2020 and 2021 there was an increase in working age claimants linked to increased claims to Universal Credit following the pandemic, but the number of working age claims has now reduced, with pension age claims continuing to reduce.

<b>LCTS Award</b>	<b>Pensionable Age</b>		<b>Working Age</b>		<b>Total LCTS Award</b>
	Live Case load	LCTS Spend	Live Case load	LCTS Spend	
1 April 2013	3,819	£3,535,031	5,302	£3,810,068	<b>£7,345,099</b>
31 March 2014	3,673	£3,483,230	5,189	£3,741,202	<b>£7,117,494</b>
31 March 2015	3,547	£3,240,964	4,890	£3,363,313	<b>£6,604,277</b>
31 March 2016	3,291	£2,941,981	4,469	£3,184,219	<b>£6,126,200</b>
31 March 2017	3,099	£2,936,255	4,510	£3,068,939	<b>£6,005,195</b>
30 September 2017	3,027	£2,895,860	4,147	£3,144,517	<b>£6,040,377</b>
30 September 2018	2843	£,2859,265	4,427	£3,378,867	<b>£6,238,132</b>
30 September 2019	2706	£2,850,114	4,307	£3,434,117	<b>£6,284,231</b>
30 September 2020	2486	£2,753,754	4,690	£3,883,891	<b>£6,637,645</b>

30 September 2021	2397	£2,697,949	4,808	£4,008,503	<b>£6,706,452</b>
30 September 2022	2315	£2,725,471	4,446	£3,852,305	<b>£6,577,776</b>
30 September 2023	2277	£2,726,557	4,113	£3,789,984	<b>£6,516,541</b>

9. The Government sets a Formula Funding Settlement for monies it will pay across to local authorities to support their services and legal obligations. In recent years the funding provided by Central Government has fallen substantially with consistent annual reductions on previous years' funding. So, whilst the cost to Harlow Council for LCTS has reduced by over £828,000 between 2013/14 and 2023/24, the council received a reduction in mainstream central government funding of £3.5 million over the same period.
10. It was estimated that the in-year council tax collection rate for 2013/14 in Harlow would be affected by the introduction of LCTS and could fall by over 3% compared to the collection rate in 2012/13. Collection rates in 2020/21 and 2021/22 fell and this is attributable to the impact of Covid-19 and suspension of recovery action. Formal recovery action recommenced in the 2021/22 financial year, but many taxpayers will have had arrears of council tax to pay in addition to any new year's liability. In 2021/22, the council gave efficiency dividend payments to council taxpayers accounts of just under £1.5 million.

<b>Date</b>	<b>Council Tax Collection Rate</b>
30 September 2012	56.83%
30 September 2013	56.60%
30 September 2014	56.28%
30 September 2015	56.71%
30 September 2016	56.75%
30 September 2017	56.48%
30 September 2018	56.07%
30 September 2019	56.30%
30 September 2020	53.83%
30 September 2021	53.58%
30 September 2022	56.42%
30 September 2023	54.10%

11. Whilst the collection position at 30 September 2023 is lower compared to the same point in 2022, collection in the current financial year has not been assisted by the award of an efficiency dividend or energy support payments, as was the case in 2022. Also, recovery of amounts falling due can take several years to collect and it is currently too early to be able to forecast what the impact of the pandemic and the current cost of living increases will have on the overall final collection position for each year.

## **Council Tax Premium**

12. Council Tax Premiums were introduced by Government in 2013, with a view to encouraging homeowners to bring long term unoccupied dwellings back into use, allowing a maximum premium of 50% to be charged. On 26 September 2013, Cabinet approved the introduction of a 50% premium to be charged where a dwelling has been unoccupied and substantially unfurnished for a period of 2 years. Further legislative changes which have not as yet been adopted by Harlow Council allow for the premium charged to progressively increase:
  - a) Dwellings left unoccupied and substantially unfurnished for 2 years or more, up to 100%;
  - b) Dwellings left unoccupied and substantially unfurnished for 5 years or more, up to 200%;
  - c) Dwellings left unoccupied and substantially unfurnished for 10 years or more, up to 300%.
13. The introduction of the Levelling Up and Regeneration Act 2023 will allow the council to make further amendments to the levying of Council Tax premiums with effect from both 1 April 2024 and 1 April 2025. The changes introduced fall into two parts, that is to reduce the period from two years to one year when an unoccupied and unfurnished dwelling can be charged a council tax premium and secondly, enable the charging of a premium for dwellings which are unoccupied and furnished, i.e. second homes.
14. Section 79 of the Act provides that billing authorities must have regard to any guidance issued by the Secretary of State when deciding whether to implement an empty dwellings (second homes) premium, but the guidance has not yet been issued. The Government is also expected to introduce regulations in the new year will allow for some exemptions to the premiums.

## **Issues/Proposals**

### **Local Council Tax Support**

15. Officers are keeping the performance of the LCTS scheme under review and as the council plans for 2023/24 the scheme is in its tenth year of operation. Given the complexities of the scheme, the large claimant base and other national factors outside of the council's control, this is still seen as a relatively short period on which to base judgements and future estimates. There are ongoing significant impacts of the and the increased cost of living, the longer-term impacts of which are difficult to analyse and quantify at this time.
16. Overall, monitoring of the local scheme indicates that it is still operating well and whilst collection of the amounts billed to claimants and residents overall has reduced in this

year this is not attributable to the scheme itself. Engagement with residents impacted by the changes has also been extremely good. To maintain certainty for both claimants and the council, in these challenging times, the proposals for the scheme in 2024/25 are to maintain the restriction on the entitlement to support at 24% for an eleventh year and that the reductions to the council's core Formula Funding will not be passed on to claimants despite uncertainty around funding for local government in 2024/25

### **Council Tax Premiums – Unoccupied properties**

17. Section 79 (1) of the Levelling Up and Regeneration Act permits billing authorities in England to impose a premium after one year instead of two where a property is unoccupied and substantially unfurnished. even if the dwelling became empty before 1 April 2024. Any period of occupation of less than 42 days shall be ignored when determining when a property became vacant.
18. At the time of writing this report there are an estimated 108 properties that will have been unoccupied and substantially unfurnished for less than 2 years at 1 April 2024. Based on the current financial year's council tax charges and a premium of 100%, these 108 properties would generate additional council tax for a full year of £196,000, of which Harlow Council's share would amount to just over £27,000.
19. Currently there are 68 properties where the council tax premium of 50% is being levied. An increase in the levy to 100% from 1 April 2024 will generate additional council tax for a full year of £60,400, of which Harlow Council's share would amount to just over £8,000.
20. Of the 68 properties that have been vacant for 2 years or more, 12 properties have been vacant for 5 years or more, and further 8 properties have been vacant for 10 years or more. In light of the small numbers, it is not being recommended at this time to increase the premium for these properties to 200% and 300% respectively.
21. It is therefore recommended that with effect from 1 April 2024, the premium charged in respect of empty dwellings is increased from 50% to 100% once a dwelling has been unoccupied and substantially unfurnished for one year to encourage home owners to bring the homes back in to use for the wider benefits of the community and to increase available housing stock across the town.
22. Section 80 of the Levelling Up and Regeneration Act will insert a new section 11C into the Local Government Finance Act 1992. This will permit billing authorities to apply a premium to properties which are not deemed to be someone's sole or main residence and are "substantially furnished". The maximum Council Tax charge in these cases would be a standard 100% charge plus, if the recommendations are approved, a premium of 100% making a total Council Tax charge of 200%.
23. Section 11C (3) of the Local Government Finance Act requires that the first decision to impose this class of premium must be taken at least 12 months before the financial year to which it would apply. In effect this means that premiums of this kind will not take effect

until 1 April 2025 at the earliest. However, it is essential that a decision is made by the council before 31st March 2024 to give the required one-year notice. Accordingly, it is recommended that the council's Section 151 Officer be given delegated authority to implement a policy in line with guidance and regulations when published.

24. In line with legislation, any decision to impose/vary or revoke a premium must be publicised in at least one local newspaper, within 21 days of its being taken.
25. The recommendations contained within the report relating to the changes in premiums have been made after consideration of the implications for collection whilst at the same time looking to maximise the potential income opportunity for the Council.

## **Implications**

### **Equalities and Diversity**

An Equalities Impact Assessment is attached for the Local Council Tax Support scheme.

An Equality Impact Decision Tree has been completed for the Council Tax Premiums and is attached. An Equality Impact Assessment is not required.

### **Climate Change**

No climate change implications have been identified.

### **Communities and Environment**

Encouraging owners to bringing empty properties back in to use through the implementation of the proposals set out in this report could be beneficial in terms of the positive impact it could have within the neighbourhood

Author: Simon Freeman, Deputy Chief Executive and Director of Finance

### **Finance**

Financial impacts of the LCTS scheme and the proposals set out in respect of Council Tax Premiums are being considered as part of the wider budget process and development of the Medium Term Financial Strategy

Author: Simon Freeman, Deputy Chief Executive and Director of Finance

### **Governance and Corporate Services**

None specific.

Author: Simon Hill, Director of Governance and Corporate Services

### **Housing**

None specific.

Author: Neil Euesden, Interim Director of Housing



## **Strategic Growth and Regeneration**

No implications specifically arise from the Council Tax Benefit reforms. Welfare Reform more widely will have a range of different impacts on delivery of service objectives.

Author: Andrew Bramidge, Chief Executive

## **Appendices**

Appendix A - Essex Local Authorities LCTS Schemes

Appendix B - Local Council Tax Support Scheme, Equalities Impact Assessment

Appendix C - Council Tax Premiums, Equality Impact Decision Tree

Appendix D - Empty Homes & Second Homes Premium Policy 2024/25

## **Background Papers**

Local Council Tax Support Scheme Policy (2023/24)

<https://www.harlow.gov.uk/benefits/council-tax-support/council-tax-support-scheme>

## **Glossary of terms/abbreviations used**

CTB – Council Tax Benefit

LCTS – Local Council Tax Support

DWP – Department of Work & Pensions

UC – Universal Credit

Vacant – Unoccupied & substantially unfurnished.