

Report to: **Executive**

Date: **26 January 2023**

Title: **Council Tax Reduction Scheme 2023-24 and other Council Tax Discounts and Premiums**

Portfolio Area: **Benefits - Cllr Hopwood**

Wards Affected: **All**

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

Date next steps can be taken: Any recommendations will be considered at the Full Council meeting to be held on 16 February 2023.

Author: **Geni Hotchkiss** Role: **Head of Revenues and Benefits**

Contact: [geni.hotchkiss@swdevon.gov.uk](mailto:geni.hotchkiss@swdevon.gov.uk)

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## **RECOMMENDATIONS**

**It is RECOMMENDED that the Executive:**

- 1. Notes the contents of the report.**
- 2. RECOMMENDS to Council a local Council Tax Reduction Scheme for 2023/24 as follows:**
  - Make no changes to Band 1 of the current banded scheme.**
  - Uplift Bands 2, 3 and 4 by 20% (above current inflation) and, as detailed in paragraph 3.15, to take into account the Cost of Living crisis.**
  - Replace the current range of earnings disregards with a single £25.00 disregard.**
  - Make changes to the Minimum Income Floor by adjusting the income calculation for self-employed claimants who receive carer's allowance, personal independence payments or disability living allowance.**
- 3. RECOMMENDS to Council that delegated authority is given to the Director of Strategic Finance, in consultation with the Lead Member for Benefits and the Head of Revenues and**

**Benefits to agree the uprating of working age regulations incorporated into the local Council Tax Reduction Scheme in line with those announced by the Department for Work and Pensions.**

- 4. RECOMMENDS to Council that officers are instructed to take immediate steps to apply the £25 Council Tax Support Fund payment to eligible council taxpayers, which was announced by the Government on 19 December 2022, and bring forward proposals for a discretionary scheme in late spring 2023.**
- 5. The adoption of the Council Tax discounts as follows effective from 1 April 2023:**
  - (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 2 years is zero.**
  - (c) The discount for properties which are vacant and require major repair work to render them habitable is 50% for 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 substantially unfurnished for at least two years, but less than five years.**
  - (f) An empty homes premium of an additional 200% is levied on properties that have remained unoccupied and substantially unfurnished for at least five years, but less than ten years.**
  - (g) An empty homes premium of an additional 300% is levied on properties that have remained unoccupied and substantially unfurnished for at least ten years.**
- 6. That, in principle, the following additional council tax premiums be applied from 1 April 2024, or earlier if allowed, subject to the required legislation being in place:**
  - 100% premium for properties which have been unoccupied and substantially unfurnished for a period of between 1 and 2 years.**
  - 100% premium for second homes.**

## **1. Executive summary**

- 1.1 There is a requirement to have a Local Council Tax Reduction Scheme to support residents who qualify for assistance in paying Council Tax. The Local Government Finance Act 1992 requires each billing authority in England to make 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 and in place by 11 March each year and prior to that the 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 13 October 2022, Executive Committee gave its approval to consult on changes to the LCTRS for 2023-24, to ensure the Council provides as much support as possible to residents during the Cost-of-Living crisis.
- 1.4 This report provides Members with a summary of the consultation. 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 2023-24.
- 1.5 The report also provides details of the Council Tax Support Fund announced by the Government on 19 December 2022 and the steps officers propose to take to implement it.
- 1.6 With changes to council tax premiums proposed in the Levelling Up and Generation Bill, the report also sets out the current council tax discounts and any proposed changes if legislation is laid in time, i.e., before the council tax set for 2023-24 is set by the Council.

## **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 to 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, if applicable, their partner.
- 2.5 With the increased pressure on household budgets because of the cost-of-living crisis, the Council has recognised that it needs to provide as much support as possible to those who need it most.

- 2.6 One of the ways to do this is to review how support is given through the Council Tax Reduction Scheme and approval was given by the Executive Committee at its meeting of 13 October for officers to consult on changes to the Council Tax Reduction Scheme for 2023-24.
- 2.7 In light of the proposals in the Levelling-up and Regeneration Bill to allow Councils to reduce the length of time a property has to be unoccupied before a premium can be applied and also the proposal to allow a premium on second homes, the report also sets out the council tax discounts proposed for the 2023-24 financial year.

### **3. Proposed Council Tax Reduction Scheme for 2023-24**

- 3.1 The public consultation 'Have Your Say on the Council Tax Reduction Scheme 2023-24' ran from Monday 17 October 2022 to Sunday 27 November 2022.
- 3.2 The proposals consulted on were as follows:
- Make no changes to Band 1 of the current scheme.
  - Uplift Bands 2, 3 and 4 by 20% (above current inflation) to take into account the Cost-of-Living crisis.
  - Replace the current range of earnings disregards with a single £25.00 disregard.
  - Make changes to the Minimum Income Floor by adjusting the income calculation for self-employed claimants who received carer's allowance, personal independence payments or disability living allowance.
- 3.3 The response rate to the consultation was low with 58 responses, however it is almost double the number of responses received when the Council first consulted on a possible banded scheme in October 2018.
- 3.4 The Council wrote to all the major preceptors seeking their views on the proposed changes to the scheme. Devon County Council confirmed that they have no objections to the proposals, based on the cost estimates provided in the consultation letter. Devon and Somerset Fire and Rescue have also confirmed that they are content with the proposals.

#### **Summary of consultation responses**

- 3.5 The public consultation received 58 responses, with 89.66% of respondents saying they live in the South Hams. Most respondents (71.79%) were not currently receiving council tax reduction.
- 3.6 There were 57 responses to the proposal to change income bands, broken down as follows:

Response	Response number	Percentage
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Yes	40	70.18%
No	9	15.79%
Don't know	8	14.04%

- 3.7 The proposal to remove the current earnings disregards and replace them with a standard earnings disregard for all working age applicants received 47 responses which were broken down as follows:

Response	Response number	Percentage
Yes	34	72.34%
No	9	19.15%
Don't know	4	8.51%

- 3.8 The proposal to make changes to the Minimum Income Floor for those claimants who are self-employed and receiving carer's allowance, personal independence payments or disability living allowance, received 44 responses.

Response	Response number	Percentage
Yes	31	70.45%
No	6	13.64%
Don't know	7	15.91%

- 3.9 Although the number of responses to the consultation was low, there was a clear majority in favour of all three proposals.
- 3.10 There was majority support for the proposal to uplift income bands by 20%, with 70.18% of respondents in favour of this proposal.
- 3.11 There was support for the proposal to remove the current range of earnings disregards and replace them with a single one of £25.00, with 72.34% of respondents being in favour of this proposal.
- 3.12 The third proposal, which seeks to provide more support to self-employed claimants with caring responsibilities and/or disabilities again had a similar level of support. 70.45% of respondents were in favour of this proposal.
- 3.13 Having taken into consideration the responses to the public consultation, the Council recognises that one of the best ways it can support residents during the current cost of living crisis is to introduce a revised council tax reduction scheme for working age claimants for 2023-24, including an above inflation uplift on income bands.
- 3.14 In transitioning to the revised banded scheme there could be some initial confusion from claimants. However by simplifying the current scheme and ensuring we publicise it effectively, it will be

easier for residents to make a claim and administrative costs will also be reduced.

3.15 The proposed weekly income bands, effective from 1 April 2023, are detailed in the table below:

		Single	Couple	Family (1 child)	Family (1 child +)
Band	Reduction				
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

#### 4. Council Tax Support Fund

- 4.1 Alongside the provisional Local Government Finance Settlement on 19 December 2022, the Government announced £100m of additional funding for local authorities to support the most vulnerable households in England with their council tax bills.
- 4.2 The funding allows councils to deliver additional support to households already receiving council tax support (reduction) as well as offering resources and flexibility to determine local approaches to support other vulnerable households in the area.
- 4.3 Guidance and provisional allocations have been published, with the final allocation to be confirmed at the Final Local Government Finance Settlement. The Council's provisional allocation is £130,930.
- 4.4 The guidance outlines the underpinning principles for use of the fund and expected eligibility criteria. Funding will be allocated to councils based on their share of local council tax support claimants according to the latest data. The Government expects local authorities to use most of their funding to reduce council tax bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25. Councils can use their remaining allocation as they see fit to support vulnerable households with council tax bills.

- 4.5 The discount should apply to current LCTS claimants that will have an outstanding council tax liability for the 2023-24 financial year. Where the council tax liability for 2023-24 is, following the application of council tax reduction (support), less than £25 their bill will be reduced to nil. Where the liability for 2023-24 is already zero no reduction to the council tax bill will be available.
- 4.6 We will need changes to our council tax software to implement the reduction, however as the scheme is similar to the Council tax: COVID-19 hardship fund 2020-21, our software supplier is currently working on extending this functionality. They are, however, awaiting confirmation of the final requirements from DLUHC (Department for Levelling Up, Housing and Communities) to enable them to make the required changes in time to apply the reduction to the council tax annual bills for 2023-24.
- 4.7 At the time of writing, we have 3,426 residents who likely to be eligible for the £25 payment. The council tax reduction caseload can change daily and, as the qualifying date for the reduction will be 1 April 2023, it is recommended that officers make the mandatory awards and then bring forward proposals to Members in late spring 2023 on how to best distribute the balance of the funding.

## **5. Council Tax Discounts and Premiums**

- 5.1 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.
- 5.2 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 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.
- 5.3 From 1 April 2020 an additional power was given to increase the premium to 200% for dwellings that have been unoccupied and substantially unfurnished for a period of over 5 years.
- 5.4 From 1 April 2021, a further power was granted to increase the council tax empty homes premium to 300% for properties that have been unoccupied and substantially unfurnished for more than 10 years.
- 5.5 The original legislation and subsequent amendments were introduced with the express intention of bringing empty properties back into use. To supplement these existing powers, the legislation to allow a premium on second homes and a reduction in the length of time a dwelling has to be unoccupied and unfurnished before a premium can be applied, is contained within the Levelling-up and

Regeneration Bill which is currently making its way through Parliament.

5.6 The Bill has completed its passage through the House of Commons and has its second reading in the House of Lords on 17 January 2023.

5.7 Unless there are changes to the bill as it progresses through Parliament, the changes cannot take effect before 1 April 2024. If the bill is not changed, the premium for second homes can only be implemented with at least one year's notice. At the time of writing there are 3,710 second homes in the district.

5.8 Any decision to apply the reduction in the qualifying period for the empty homes premium will need a decision before the financial year to which it relates.

## 6. Proposed way forward

6.1 The Council Tax Reduction Scheme for 2023-24 is agreed as set out in the consultation. The revised income bands will ensure that the Council continues to provide as much support as possible to low-income households, particularly during the cost of living crisis.

6.2 Steps are taken as soon as possible to support vulnerable households with their 2023-24 council tax bills through the Government's recently announced Council Tax Support Fund.

6.3 The Council considers the introduction of a council tax premium for second homes and a reduction in the time a property needs to be unoccupied for before an empty homes premium can be applied, as soon as the legislation allows.

## 7. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Welfare Reform Act 2012 abolished Council Tax Benefit and instead required each billing authority to design a scheme specifying the reductions which are to apply to amounts of Council Tax. The prescribed regulations set out the matters that must be included in such a scheme. All authorities in England are required to have a scheme identifying the



		<p>reductions payable by their constituents 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 2023, a default scheme will be imposed on the Council which will be effective from April 2023. The Local Government Finance Act 2012 amended the Local Government Finance Act 1992. Section 13A of the Local Government Finance Act 1992 (as amended) requires each billing authority to make a scheme specifying the reductions which are to apply to the amount of Council Tax payable.</p> <p>Government expects councils to deliver the Council Tax Support Fund using their discretionary powers under Section 13A (1) (c) of the Local Government Finance Act 1992.</p> <p>Section 11B of the Local Government Finance Act 1992 (as amended) allows the Council to charge a council tax premium. Section 67(2) of that Act provides that the power to decide to charge a premium can only be exercised by full Council. Further, The Rating (Property in Common Occupation) and Council Tax Empty Dwellings Act 2018 allows billing authorities, from 1 April 2020, to apply a premium of an additional 200% of the council tax due where a dwelling has been empty for five years and over. A premium of an additional 300% can be applied where the dwelling has been empty for ten years and over from April 2021.</p>
Financial implications to include reference to value for money	Y	<p>The cost of the Council Tax Reduction Scheme is met by South Hams District Council, and the major presenting authorities, in proportion to their share of the council tax. The CTR Scheme is reflected within the Tax Base calculation as a discount. 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. Increasing the Band Thresholds would increase the cost of the scheme by around £52,000. The scheme is projected to cost £5.719million as opposed to the current £5.667 million. SHDC's share of the increase in cost is around 8% of this i.e., £4,160. It is envisaged that increasing the Band Thresholds would increase the</p>

		council tax collection rate for residents in receipt of CTR. The Council Tax Collection Fund is in surplus by £2.74m as at 31.3.2022. A distribution of the surplus will be made to all major presenting authorities as part of the 2023/24 Budget setting process. This can be a way of financing the additional cost of the 2023/24 CTR scheme of £52,000, 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.
Risk	Y	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.
Supporting Corporate Strategy	Y	Supporting the Council's response to the cost-of-living crisis. Supporting the Council's Quality Council Services.
Consultation & Engagement Strategy	Y	Public consultation has been carried out to inform the content of this report.
Climate Change - Carbon / Biodiversity Impact	N	There are no known impacts because of this report.
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity	Y	The local Council Tax Reduction Scheme only applies to impacts a specific group of people, namely working age residents on low incomes. The proposals set out in this report improve accessibility to the scheme through a simplified process and improve the support available to those on the lowest incomes.
Safeguarding	N	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	N	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	Y	Financial wellbeing is crucial to the wellbeing of our residents and the recommendations in this report are designed to support this.
Other implications	N	None.

