

**Resources and Transformation Overview and Scrutiny Panel – 21 November 2024**

**COUNCIL TAX REDUCTION SCHEME 2025/26, POLICY REVIEW AND COUNCIL TAX PREMIUMS**

|                   |   |
|-------------------|---|
| Purpose           | For review and recommendation   |
| Classification    | Public  |
| Executive Summary | <p>The Council has a Council Tax Reduction scheme to support those on a low income with paying their council tax. The Council has discretion to set a local scheme for working age claimants, with pension age claims being administered in accordance with government regulations. The scheme is reviewed annually with proposed changes requiring Council agreement before coming into effect from 1 April.</p> <p>The Council has a Council Tax Support Scheme Prosecutions and Penalties policy for dealing with fraud and error. The policy has been reviewed as part of a cyclical review.</p> <p>The Council is introducing new council tax premiums from 1 April 2025 for long term empty properties and properties which are periodically occupied, commonly known as “second homes”. The report considers the Government prescribed exceptions to these premiums, with local authorities having discretion for their own local exceptions. The report proposes local exceptions as an extension of the prescribed exceptions.</p> |
| Recommendation    | <p><b>That the Panel make a recommendation to Cabinet for the approval of:</b></p> <p><b>1. The changes to the Council Tax Reduction Scheme from 1 April 2025:</b></p> <p><b>a) The removal of the 10% minimum contribution at an overall cost to precepting authorities of £297k</b></p>   |

|                            |   |
|----------------------------|---|
|                            | <p><b>b) The removal of the Band D cap at an overall cost to precepting authorities of £33k</b></p> <p><b>c) The increase of the de-minimis rule to £2 at no net cost</b></p> <p><b>d) The alignment of childcare costs with Universal Credit for all claims at a saving of £3k to precepting authorities</b></p> <p><b>2. The Council Tax Reduction Scheme Sanctions and Prosecution Policy</b></p> <p><b>3. The local exceptions to the council tax premiums from 1 April 2025, as detailed in paragraph 42</b></p> |
| Reasons for recommendation | To approve changes to the Councils Council Tax Reduction scheme, the Council Tax Reduction Scheme Sanctions and Penalties policy and exceptions to the empty home premium and second home premium.  |
| Wards                      | All   |
| Portfolio Holder           | Councillor Jeremy Heron – Finance & Corporate   |
| Strategic Director         | Alan Bethune – Strategic Director Corporate Resources and Transformation  |
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## **Introduction and background**

1. The purpose of this report is to consider the recommendations of the Council Tax Reduction Task and Finish Group on the Council Tax Reduction scheme 2025/26, the Council Tax Reduction Scheme Sanctions and Penalties Policy, and local exceptions to the empty home premium and second home premium which are being introduced from 1 April 2025.

## **Council Tax Reduction scheme**

2. Members will recall that local authorities are responsible for determining their own local Council Tax Reduction Scheme to support those of working age on low income with paying their council tax. The Government stipulated that there must be no change to the level of support that pensioners receive and there are no plans to localise the scheme for this group. There are no plans to include Council Tax Reduction within Universal Credit.
3. The Council must formally approve the Council Tax Reduction Scheme no later than 11 March in any year, to take effect from 1 April.
4. The Council Tax Reduction Scheme fulfils the prescribed requirements for localised schemes.
5. There are currently 7,868 claimants receiving Council Tax Reduction. Of these 4,213 are working age and 3,655 are of pensionable age. Appendix 1 provides caseload trend data.
6. The current Council Tax Reduction Scheme costs approximately £10 million, with this cost (foregone Council Tax) being shared between all precepting authorities.
7. The amount of Council Tax Reduction awarded affects the tax base of each organisation.

## **Review process**

8. The Task & Finish Group met to review the current scheme and proposed changes effective from 1 April 2025.
9. The recommendations of the Task & Finish Group are to be considered by the Resources and Transformation Overview Scrutiny Panel, the Cabinet and full Council in December 2024.

## **The current local Council Tax Reduction scheme**

10. The council's Council Tax Reduction Scheme protects vulnerable households so that some of the changes to the scheme do not apply to them. A person is vulnerable if they (or a partner) are in receipt of Disability Living Allowance, Personal Independence Payments or Severe Disablement Allowance.
11. The council's Council Tax Reduction Scheme for 2024/25 requires all working age claimants (except vulnerable households) to pay a minimum of 10% council tax.

12. The council's Council Tax Reduction Scheme also includes:
- Council Tax Reductions are capped at band D (so that claimants living in higher banded properties receive support based on band D). There is no band cap for vulnerable households.
  - A savings limit of £6,000 (£16,000 for vulnerable households), so that claimants with more than £6,000 in savings are not entitled to any reduction.
  - The council's Council Tax Reduction Scheme incentivises work by disregarding £35.00 a week of earnings.

### **Matters considered by Task and Finish Group**

13. Collecting council tax from those on low income is difficult, with significantly more work for officers. Administration has also increased, notably in working with those affected. In 2024/25 council tax bills increased by an average of 5%. This upward trend is likely to continue in the forthcoming years.
14. The Council Tax in-year collection rate for those in receipt of Council Tax Reduction, who are not a pensioner or vulnerable, is currently 77.6% (98.7% for non-Council Tax Reduction households) and during 2023/24 1,384 reminder notices were issued. There is administration and costs involved in collecting council tax, including dealing with customer queries, postage and making payment arrangements.
15. Many of the claimants have been affected by the increase in the cost of living, in particular fuel and food inflation which adversely affects low-income households. It is noted that there are some reports suggesting that Universal Credit rates are insufficient to meet day-to-day household expenditure. The Group also considered recent budget announcements including the increase of Universal Credit being 1.7% from April 2025 and the freezing of the Local Housing Allowance from 1 April 2025, meaning those receiving support may experience further financial challenges if household living costs increase beyond that level of Universal Credit increase. There are also changes to Universal Credit and the amounts that can be deducted from third parties, meaning the recovery of council tax arrears will become harder.
16. The Group also considered the additional income from the Council's introduction of the Second Homes Premium, which will result in a forecast overall net gain in excess of £2 million per annum in additional income between all precepting authorities.

## **Discussion on proposed changes for 2024/25**

17. The group reviewed various aspects of the current scheme. This included:

- a) the 10% minimum contribution
- b) the Band D cap
- c) the de-minimis rule
- d) childcare costs

### **A. The 10% minimum contribution**

18. The Group discussed the principle of claimants having to pay an amount towards their council tax, which has been part of the scheme since 2013. Currently, any award of Council Tax Reduction is based on 90% of the council tax liability (unless vulnerable, in which case it is based on 100% of the council tax liability), so there is a minimum contribution of at least 10% to pay. The proposal that was subject to consultation was to remove the 10% minimum contribution so that any award of Council Tax Reduction is based on 100% of the council tax liability.

19. The financial cost of this proposal is to increase the level of support (forego Council Tax) totalling approximately £297k per annum, affecting approximately 2,500 claimants, 1,000 of which currently receive the maximum level of support of 90% due to their income level.

20. From the consultation 59% strongly agreed or agreed with this proposal with 19% neither agreeing or disagreeing. The Group also considered the response from Hampshire County Council. Their response recognised that local authorities need to set schemes to support local needs, but due to their severe cost pressures of providing adult social care and children's social care they expressed "concerns about making schemes more generous if that would have a significant impact on income".

21. The Group discussed the consultation responses, and although sympathetic to Hampshire County Councils financial situation, on reflection considered that the scheme should be supporting our most vulnerable households; a key corporate plan objective.

22. **The Group did recognise the additional financial cost, but by majority recommend removing the 10% minimum contribution.**

## **B. Removal of the Band D cap**

23. The Group discussed the principle of capping any Council Tax Reduction to a Band D. This proposal that was subject to consultation affects 100 claims and consideration was given to the collection rates amongst this cohort and the impact where households are placed into properties of Band E and above or require larger property due to household size.
24. The financial cost of this proposal is to increase the level of support by approximately £33k per annum, affecting approximately 40 claimants.
25. From the consultation 53% strongly agreed or agreed with this proposal with 21% neither agreeing or disagreeing. The Group also considered the response from Hampshire County Council, which as above, expressed concerns about any changes that would make the scheme more generous and therefore impacting on their income. The Group discussed this response, and although sympathetic to Hampshire County Councils financial situation, on reflection considered that the scheme should be supporting our most vulnerable households; a key corporate plan objective.
26. **The Group did recognise the additional financial cost, but recommend removing the band D cap.**

## **C. The de-minimis rule**

27. The proposed change that was subject to consultation was to increase the current de-minimis amount from £1 to £2, whereby any reduction in entitlement by up to £2 will not affect entitlement, which will remain at the existing level. This is to reduce administration, multiple bills being produced and reduce paper and costs.
28. From the consultation 73% strongly agreed or agreed with this proposal with 19% neither agreeing or disagreeing. The Group also considered the response from Hampshire County Council, who were supportive of this change to reduce administration and improve the scheme.
29. The financial cost of this proposal is to increase the level of support by £3k per annum, but there will be savings in terms of administration, paper and postage.
30. **The Group recommend increasing the de-minimis amount from £1 to £2.**

## **D. Child care costs**

31. The proposed change that was subject to consultation was to align the treatment of child care costs with Universal Credit for all claims. Currently, those in continuous receipt of Council Tax Reduction from 31 March 2013 have a higher weekly disregard of child care from earnings in the assessment of entitlement, requiring monthly manual intervention. This change enables full automation and reduces administration.
32. From the consultation 66% strongly agreed or agreed with this proposal with 24% neither agreeing or disagreeing. The Group also considered the response from Hampshire County Council, who were supportive of this change to reduce administration and improve the scheme.
33. The financial cost of this proposal is to reduce the level of support by £3k, which will affect approximately 42 claimants, although as claims migrate to Universal Credit some will actually be better off, and the availability of the Exceptional Hardship Payment scheme to support those affected whereby any reduction in entitlement causes exceptional financial hardship.
34. **The Group recommend aligning child care costs with Universal Credit for all claims.**

## **Consultation**

35. The Council has a duty to consult on any changes to the scheme. The Council actively undertook a consultation exercise over a 6-week period, from 21 August 2024 to 4 October 2024, advertising on the council's website, social media, residents' email, as well as by telephone, and contacted Hampshire County Council and Citizens Advice New Forest.
36. The Council received 225 responses. The Group considered the responses in their discussions before finalising their recommendations, as included within this report.

## **Council Tax Reduction Scheme Sanctions and Prosecutions policy**

37. The Group reviewed the current Council Tax Reduction Scheme Sanctions and Penalties policy, which provides details on dealing with fraud and error within the Council Tax Reduction scheme. Minor amendments were proposed, as there have been no changes to legislation, see Appendix 2.

38. **The Group support the updated policy and recommend its approval and adoption with immediate effect.**

### **Council Tax premiums**

39. The Council has approved two premiums from 1 April 2025, these being:

- reducing the length of time a 100% premium can apply for long term empty properties from 2 years to 1 year
- a 100% premium for properties which are furnished and periodically occupied, commonly referred to as “second homes”

40. Government have very recently provided legislation and accompanying guidance that stipulate specific exceptions where a premium cannot apply, some of which are time limited, whilst other exceptions are not, such as annexes that form part of a main dwelling, properties where year round occupation is restricted, or those living elsewhere in armed forces accommodation. The guidance and legislation allow local authorities to apply local discretion to their own schemes, should they so wish.

41. The Group considered three of the exceptions and whether to apply a local discretion, these being:

| Class | Definition   | Prescribed term |
|-------|--|-----------------|
| G     | Dwellings being actively marketed for sale                                       | 12 months       |
| H     | Dwellings being actively marketed for let  | 12 months       |
| M     | Empty properties requiring or undergoing major repairs or structural alterations | 12 months       |

42. Having considered the prescribed exceptions as above, the Group recommend the Council consider making the following discretionary exceptions in addition to the governments suggested prescribed exceptions, as follows:

| Class | Local discretion                       | Reason  |
|-------|--|---|
| G     | To extend the period by up to 6 months | In exceptional circumstances where there are mitigating factors clearly evidenced |



|   |   |  |
|---|---|--|
| H | None  | The New Forest has a buoyant rental market so 12 months is a reasonable time period for a property to be let and not extending will incentivise owners to let their property |
| M | To extend the period by up to an initial period of 6 months, where mitigating circumstances can be evidenced, and a further period of up to 6 months in exceptional circumstances | It is recognised that there can be delays or mitigating factors that may extend the time taken to complete building works to enable a property to become habitable           |

43. The Group discussed any other categories of property where a local exception could apply and that these could be considered and approved through a Portfolio Holder Decision where appropriate.
44. The local exceptions, subject to Cabinet and Council approval, would be effective from 1 April 2025 when the new premiums apply. Taxpayers, based on current known information, will be notified by letter of the forthcoming changes and to contact us should their circumstances change, or if an exception should be applied from 1 April 2025.

### **Corporate plan priorities**

45. The contents of this report support our key priorities of our Corporate Plan by supporting low-income households and encouraging properties to be brought back into use.

### **Options appraisal**

46. Details of the options and discussions are included in the paragraphs above.

### **Financial and resource implications**

47. The proposed changes to the Council Tax Reduction scheme were discussed with the Group, with the additional total support amounting to circa £327k per annum, equating to approximately £32k to the Council, although there would be savings in administration, such as officer time and postage to be considered. The summarised costings are:

Option A – Additional cost of £297k

Option B – Additional cost of £33k

Option C – Cost neutral

Option D – Reduction in cost of £3k

48. The Group discussed the increase in cost but in conjunction with the additional income to be received from the introduction of the new council tax premiums from 1 April 2025, and the reduction in administration. The Group considered this a positive overall outcome whereby support for low income households has increased, offset through additional income from the introduction of new premiums to the precepting authorities.
49. The changes to the Council Tax Reduction scheme will reduce administration, which can be utilised elsewhere, including the administration of the new council tax premiums.

### **Legal implications**

50. The Local Government Finance Act 2012 provided for the introduction of the localisation of Council Tax support by making changes to the Local Government Finance Act 1992. These require that:
- For each financial year, each billing authority must consider whether to revise its scheme or replace it with another scheme
51. In accordance with legislation, the Council has already made a determination at least one year prior to the financial year to which the premiums will apply. The Council must apply the legislated exceptions to the premiums where conditions are met.

### **Risk assessment**

52. There are no risk assessments required.

### **Environmental / Climate and nature implications**

53. There are no significant environmental or climate and nature implications arising from this report, although the recommendations will reduce the use of paper as fewer notices and bills will be issued.

### **Equalities implications**

54. Our Council Tax Reduction scheme continues to support those on a low income and protects vulnerable households and proactive steps are taken to promote and maximise take-up, as well as to provide additional advice and support where appropriate. The proposed

changes to the scheme will provide additional support to those on a low income.

### **Crime and disorder implications**

55. There are no crime and disorder implications arising directly from this report.

### **Data protection / Information governance / ICT implications**

56. There are no data protection, information governance or ICT implications arising from this report.

### **Appendices**

Appendix 1 – Caseload trends  
Appendix 2 – The Council Tax  
Reduction Scheme Sanctions and  
Penalties Policy

### **Background Papers:**

## Appendix 1 – Caseload Trends

