

<b>Report to:</b>	Cabinet  Overview & Scrutiny Committee (Regulatory, Compliance and Corporate Services)  Council	<b>Date of Meeting:</b>	4 January 2024  9 January 2024  18 <sup>th</sup> January 2024
<b>Subject:</b>	Council Tax Reduction Scheme and Council Tax Base for 2024/25 and Review of Council Tax Premiums for Long-Term Empty Properties		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Cabinet Member - Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	Yes	<b>Included in Forward Plan:</b>	Yes
<b>Exempt / Confidential Report:</b>	No		

### Summary:

The purpose of this report is to provide details of the review of the local Council Tax Reduction Scheme for the current year 2023/24. It also proposes that there is a change made to the scheme with effect from 1<sup>st</sup> April 2024 for working-age households, in employment, in receipt of Universal Credit.

In addition, the report proposes to introduce new discretionary council tax premiums on 'dwellings left empty for 1 year or more' from 1 April 2024 and on 'dwellings occupied periodically' (second homes) from 1 April 2025.

A summary is provided of the feedback received on recent consultations undertaken on changes to the Council Tax Reduction Scheme and on the proposals to introduce new discretionary council tax premiums along with the associated equality impact assessments.

Finally, the report provides an updated Council Tax Base for Sefton Council and each Parish area for 2024/25.

### Recommendation(s):

#### Cabinet

1. Note the content of the review of the Council Tax Reduction Scheme for the current year, 2023/24.
2. Note the outcome of the public consultation exercise and recommend to Council that a change is made to the Council Tax Reduction Scheme for working-age households, in employment, also in receipt of Universal Credit with effect from 1<sup>st</sup> April 2024.
3. Recommend that Council approves the introduction of a 100% council tax premium on dwellings left empty for 1 year or more from 1 April 2024
4. Recommend that Council approves the introduction of a 100% council tax premium on dwellings occupied periodically from 1 April 2025
5. Recommend that Council approves the relevant Council Tax Base for Sefton Council and each Parish Area for 2024/25 as set out in Annex A.

### **Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services):**

That the report be noted.

### **Council**

1. Note the content of the review of the Council Tax Reduction Scheme for the current year, 2023/24.
2. Note the outcome of a public consultation exercise and approve a change to the Council Tax Reduction Scheme for working-age households, in employment and in receipt of Universal Credit with effect from 1<sup>st</sup> April 2024.
3. Approve the introduction of a 100% council tax premium on dwellings left empty for 1 year or more from 1 April 2024.
4. Approve the introduction of a 100% council tax premium on dwellings occupied periodically from 1 April 2025.
5. Approve the relevant Council Tax Base for Sefton Council and each Parish Area for 2024/25 as set out in Annex A of the report.

### **Reasons for the Recommendation(s):**

#### **Council Tax Reduction Scheme**

Each financial year, the Council must consider whether to revise or replace its local Council Tax Reduction Scheme. The Council must approve and adopt the 2024/25 Council Tax Reduction Scheme by 11 March 2024, as set out in the Council Tax Reduction Scheme (Amendment) (England) Regulations 2017.

The report provides an update on key aspects of the local Council Tax Reduction Scheme for the current year, and also provides details of a public consultation exercise that has recently been undertaken to seek views on making a change to the scheme affecting working-age households, in employment, also in receipt of Universal Credit. After consideration of the factors outlined later in the report it is proposed that the local Council Tax Reduction Scheme for 2024/25 is changed for working-age households, in employment, in receipt of Universal Credit.

### **Council Tax Base**

In accordance with Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as amended, the Council is required to set a tax base for both Sefton Council and for each Parish Area for 2024/25 before 31st January 2024.

### **Introducing a premium on dwellings left empty for 1 year or more**

The Council already applies a 100% premium on properties left empty for 2 years or more. Extending this premium to dwellings left empty for 1 year or more would encourage owners of these homes to bring them back into use. Any additional income raised from the premium will help support the provision of Council services.

### **Introducing a premium on dwellings that are occupied periodically**

Introducing a premium on dwellings that are occupied periodically (second homes) would encourage owners of these homes to make these available for sale or rent which would increase the amount of housing available to local residents. Any additional income raised from the premium will help support the provision of Council services.

**Alternative Options Considered and Rejected:** (including any Risk Implications)

### **Council Tax Reduction Scheme**

The Council may decide to leave the Council Tax Reduction Scheme unchanged for 2024/25. Without a change to the scheme, households in employment moving from legacy state-benefits to Universal Credit are likely to face frequent changes to their entitlement, with the knock-on effect being frequently changing Council Tax bills and payment-plans, as well as an expected additional administrative burden for the Council.

### **Introducing a premium on dwellings left empty for 1 year or more**

The Council could choose not to introduce the premium; however, this would not provide any additional incentive for owners of these long-term empty homes to bring them back into use. Alternatively, the Council could choose to introduce a lower premium percentage (25%, 50%, or 75%), however, this would provide a lower level of incentive and reduce the amount of additional council tax income available to support local services.

### **Introducing a premium on dwellings that are occupied periodically**

The Council could choose not to introduce the premium; however, this would not provide any additional incentive for owners of these properties to make them available for occupation by local residents. Alternatively, the Council could choose to introduce a

lower premium percentage (25%, 50%, or 75%), however, this would provide a lower level of incentive and reduce the amount of additional council tax income available to support local services.

**What will it cost and how will it be financed?**

**(A) Revenue Costs**

**Council Tax Reduction Scheme 2024/25**

It is difficult to forecast the impact of the proposal to change the Council Tax Reduction Scheme, however, it is not anticipated to result in a material increase in the cost of discounts and should reduce the cost of administration.

**Introducing a premium on dwellings left empty for 1 year or more**

Extending the long-term empty homes premium of 100% to properties that have been empty for one year or more from 1 April 2024 could increase total Council Tax income by approximately £500,000 in 2024/25 (Sefton’s share £420,000).

**Introducing a premium on dwellings that are occupied periodically**

Introducing a 100% premium on second homes from 1 April 2025 could increase Council Tax income by approximately £383,000 in 2025/26 (Sefton’s share £320,000).

**Council Tax Base**

Changes to the council tax base will have an impact on the level of Council Tax income transferred from the Collection Fund to the Council’s General Fund in 2024/25. It will also impact on the amounts due to the Police and Crime Commissioner, the Fire and Rescue Service, and the Combined Authority.

The following table shows the estimated increase in council tax income as a result of changes to the tax base between 2023/24 and 2024/25, based on the 2023/24 Council Tax Band D charge:

Council Tax Income	Sefton Council £ million	Police & Crime £ million	Fire & Rescue £ million	Combined Authority £ million
Option A	1.054	0.143	0.050	0.011
Option B	1.474	0.200	0.070	0.015

Option A assumes no change in empty homes premiums in 2024/25.

Option B assumes that an empty homes premium of 100% will be charged on dwellings left empty for 1 year or more in 2024/25.

**(B) Capital Costs**

No capital costs applicable.

**Implications of the Proposals:**

**Resource Implications (Financial, IT, Staffing and Assets):**

Changes to both the local Council Tax Reduction Scheme and Council Tax premiums will continue to be administered from existing resources.

**Legal Implications:**

**Local Council Tax Reduction Scheme**

By Section 5 of Schedule 1A of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012) for each financial year each billing authority must:

- a. Consider whether to revise its Council Tax Reduction Scheme or to replace it with another scheme.
- b. Make any revision to its scheme, or any replacement scheme, no later than 11 March in the financial year preceding that for which the revision or replacement is to have effect.
- c. If any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a reduction to which any class of person is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit.
- d. Before revising its scheme or making a replacement scheme, an authority must:
  - i. Consult any major precepting authority which has power to issue a precept to it.
  - ii. Publish a draft scheme in such manner as it thinks fit, and
  - iii. Consult other such persons as it considers are likely to have an interest in the operation of the scheme.

**Council Tax Premiums**

The Levelling Up and Regeneration Act 2023, introduced new regulations that allow billing authorities to charge a premium of up to 100% on homes that have been empty for one year or more from 1 April 2024, as well as a premium of up to 100% on dwellings that are occupied periodically (second homes) from 1 April 2025. The later date for second homes is because the Act requires authorities to provide 12 months-notice to second homes prior to implementation. These are discretionary powers, and it is up to local authorities to decide what level of premium (if any) is appropriate in their area.

**Equality Implications:** The equality implications have been identified and mitigated. Equality Impact Assessments are provided at Annexes B and C.

**Impact on Children and Young People:** Indirectly - in that the changes proposed to the Council Tax Reduction Scheme are intended to provide working-age households/families in employment, also in receipt of Universal Credit, with stability when managing household finances and budgeting for Council Tax payments.

**Climate Emergency Implications:**

The recommendations within this report will

Have a positive impact	N/A
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Have a neutral impact	Yes
Have a negative impact	N/A
The Author has undertaken the Climate Emergency training for report authors	Yes

**Contribution to the Council's Core Purpose:**

Protect the most vulnerable: The Council Reduction Scheme proposed for 2024/25 will help to maintain fairness, consistency and an element of stability when managing household finances. The scheme provides support to those experiencing financial hardship as well as supporting those making the transition to Universal Credit.
Facilitate confident and resilient communities: the introduction of discretionary Council Tax premiums for empty properties is intended to encourage owners to bring properties back in to use and help to ease housing supply pressures, reduce negative impacts such as anti-social behaviour, reductions in rental & market values on surrounding properties, desirability of an area, and generate revenue that will be used to support essential council services.
Commission, broker and provide core services: Not applicable
Place – leadership and influencer: Not applicable
Drivers of change and reform: Not applicable
Facilitate sustainable economic prosperity: Provide support to those in financial hardship as well as supporting people into work.
Greater income for social investment: Not applicable
Cleaner Greener: Not applicable

**What consultations have taken place on the proposals and when?**

**(A) Internal Consultations**

The Executive Director of Corporate Resources and Customer Services (FD.7455/23) and the Chief Legal and Democratic Officer (LD.5555/23) have been consulted and any comments have been incorporated into the report.

**(B) External Consultations**

The Public Engagement and Consultation Panel approved proposals to undertake two consultations at its meeting on 8<sup>th</sup> September 2023 as follows:-

- 1) Proposed changes to the Council Tax Reduction Scheme from 1<sup>st</sup> April 2024 for working-age households in employment also in receipt of Universal Credit. This consultation was open for the period 11<sup>th</sup> September – 13<sup>th</sup> October 2023, and

- 2) Proposals to introduce new premiums in line with new discretionary powers introduced in the Levelling Up and Regeneration Act 2023, commenced on 11<sup>th</sup> September 2023 and ended on 27<sup>th</sup> October 2023.

In addition, details of the review of the local Council Tax Reduction Scheme, the proposed scheme for 2024/25, the Council Tax Base and the proposed introductions of Council Tax premiums are provided to the precepting bodies, i.e., the Police and Crime Commissioner, Merseyside Fire and Rescue Service and the Liverpool City Region Combined Authority.

### **Implementation Date for the Decision**

Following the expiry of the “call-in” period for the Minutes of the Cabinet recommendation to Council and approval by Council on 18<sup>th</sup> January 2024.

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### **Appendices:**

Annex A: Council Tax Base Report 2024/25

Annex B: Proposed changes to the Council Tax Reduction Scheme for 2024/25, including consultation summary and equalities impact assessment.

Annex C: Proposed introduction of new council tax premiums on ‘dwellings left empty for 1 year or more’ and on ‘dwellings occupied periodically’, including consultation summary and equalities impact assessment.

### **Background Papers:**

There are no background papers available for inspection.

### **Local Council Tax Reduction Scheme**

#### 1.1 Introduction/Background

1.2 Local Council Tax Reduction replaced Council Tax Benefit (CTB) from 1<sup>st</sup> April 2013. The Council Tax Reduction Scheme is a discount awarded to households on a low income to help towards Council Tax payments. The amount awarded is based on a person’s household and income. The local scheme rules only apply to working-age Council Taxpayers. Pensioners are protected by legislation and must be provided with the level of Council Tax support specified by the Government.

1.3 The grant transferred to the Council, Police and Crime Commissioner and Fire Service in 2013/14, £24.2M; to fund the local scheme was £3M lower than had previously been provided to fund CTB in 2012/13. The Council therefore had to

introduce changes to the national default Council Tax Support Scheme to ensure that the local scheme was cost neutral. As the Government had specified the level of support that had to be provided to pensioners, the saving requirement had to be met by reducing the level of support available to working age claimants and through changes to Council Tax empty property discounts.

1.4 The Council is required, by law, to review the Scheme each year irrespective of whether it is being amended. The Council Tax Reduction Scheme for 2024/25 must be agreed by Council by 11<sup>th</sup> March 2024.

2. Review of the Council Tax Reduction Scheme for 2023/24

2.1 To satisfy the requirement to review the Scheme, the following areas have been evaluated:

- Claimant caseload
- Scheme expenditure
- Impact on most vulnerable claimants
- Council Tax collection, including Attachment of Benefits
- Review of the Council's principles for the Scheme
- Council Tax Exceptional Hardship Fund.

2.2 Claimant Caseload

The table below shows the caseload data at 30<sup>th</sup> September 2023 compared to caseload data at the end of each year since the Council Tax Reduction Scheme was introduced in 2013/14:

Year	Date	Pensioners	Working Age	Total	Change
2013/14	03.04.14	14,655	16,025	30,680	n/a
2014/15	01.04.15	13,925	15,349	29,274	-1,406
2015/16	31.03.16	13,206	14,886	28,092	-1,182
2016/17	31.03.17	12,541	14,524	27,065	-1,027
2017/18	31.03.18	11,970	14,005	25,975	-1,090
2018/19	31.03.19	11,404	14,160	25,564	-411
2019/20	31.03.20	10,871	14,326	25,197	-367
2020/21	31.03.21	10,491	15,519	26,010	+813
2021/22	31.03.22	10,243	14,917	25,160	-850
2022/23	31.03.23	10,053	14,712	24,765	-395
2023/24	30.09.23	9,970	14,591	24,561	-204

The working age caseload can be split further:

Year	Date	Employed	Other	Total	Change
2013/14	03.04.14	2,874	13,151	16,025	n/a
2014/15	01.04.15	2,748	12,601	15,349	-676
2015/16	31.03.16	2,504	12,382	14,886	-463
2016/17	31.03.17	2,193	12,331	14,524	-362



2017/18	31.03.18	1,900	12,105	14,005	-519
2018/19	31.03.19	1,597	12,563	14,160	+155
2019/20	31.03.20	1,268	13,058	14,326	+166
2020/21	31.03.21	1,070	14,449	15,519	+1,193
2021/22	31.03.22	1,126	13,791	14,917	-602
2022/23	31.03.23	1,081	13,631	14,712	-205
2023/24	30.09.23	1,050	13,541	14,591	-121

2.3 Pensioner Claimants: Since the initial implementation of the scheme in 2013/14 the number of Pensioner Claimants has declined in every year. Pensioner claimant numbers have continued to fall in 2023/24.

2.4 Working Age Claimants: Claimant numbers increased significantly in 2020/21 as a result of the economic impact of Covid-19. Claimant numbers reduced in 2021/22 and 2022/23 and have continued to reduce in 2023/24. However, the current economic climate is uncertain, and we could see this trend reverse.

## 2.5 Scheme Expenditure

The following table shows the Council Tax Reduction Scheme Expenditure reported in the Revenue Outturn Return compared to the mid-year estimate for 2022/23:

<b>Year</b>	<b>Source</b>	<b>Pensioners £000</b>	<b>Working Age £000</b>	<b>Total £000</b>	<b>Change £000</b>
2013/14	RO Return	13,305	9,907	23,212	n/a
2014/15	RO Return	12,152	10,364	22,516	-696
2015/16	RO Return	11,895	9,760	21,655	-861
2016/17	RO Return	11,540	10,559	22,099	+444
2017/18	RO Return	11,378	10,948	22,326	+227
2018/19	RO Return	11,695	11,069	22,764	+438
2019/20	RO Return	11,790	11,784	23,574	+810
2020/21	RO Return	11,898	13,414	25,312	+1,738
2021/22	RO Return	12,020	13,823	25,843	+531
2022/23	RO Return	12,037	13,585	25,622	-221
2023/24	30.09.23	12,527	14,320	26,847	+1,225

Note:

2023/24 Estimate: The costs recorded at 30 September 2023 have been split based on the Pensioner & Working Age weekly costs recorded on the monthly NEC (Northgate) CTR304 reports.

## 2.6 Council Tax Collection

The table below shows the amount of Council Tax billed and collected during 2022/23:

Recorded at 31 March 2023	Liability Raised	Received In Year	Collection Rate
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	£000	£000	%
CTRS Cases - Working Age	4,794	3,416	71.3
CTRS Cases - Pensioner Age	1,560	1,857	119.0
Other Council Tax Payers	180,618	172,345	95.4
Total (in-year collection)	186,972	177,618	95.0

The in-year collection rate reduced from 97.2 % in 2012/13 under the council tax benefit system to 96.2% in 2013/14 when council tax support was localised. The in-year collection rate subsequently reduced to 95.0% in 2020/21 and 94.8% in 2021/22 as a result of the impact of Covid-19. Sefton's in-year collection rate remains higher than the average for Metropolitan Districts which was 93.7% in 2022/23.

#### Current Year Council Tax Collection: 2023/24

As at 31<sup>st</sup> October 2023, the in-year Council Tax collection figure was 62.24% compared to 62.99% in 2022/23. It should be noted that the collection figure for 2022/23 was inflated due to £150.00 payments made to households as part of the Government's Council Tax Energy payments scheme. Figures for 2021/22 are therefore shown below for more representative comparison.

<b>31/10/23</b>	<b>62.24%</b>
<b>31/10/22</b>	<b>62.99%</b>
<b>31/10/21</b>	<b>62.91%</b>

#### 2.7 Impact on the most vulnerable claimants

The local Council Tax Reduction Scheme continues to address the Council's priorities to minimise the impact on the most vulnerable, by seeking to strike a balance between dealing with Council priorities whilst supporting those experiencing financial challenges. The Council, having recognised the impact on communities, has introduced a range of mitigating actions, including:

- Administration of the Government's Council Tax Support Fund for 2023/24, whereby a payment of £25.00 was made to Council Tax households in receipt of Council Tax Reduction where there was still a remaining payment liability.
- Provision of an Exceptional Hardship Fund (see Section 2.10 below)
- Easing the transition for households claiming Universal Credit by treating notifications received from the Department for Work and Pensions (DWP), as a claim for local Council Tax Reduction, thus removing the need for those in receipt of Universal Credit to have to make a separate claim for support towards their Council Tax.
- Continuing to disregard the whole of a war pension as part of the Council Tax Reduction Scheme, including War Disablement Pensions, War Widows Pensions, and any corresponding pensions payable to a widower or surviving civil partner. For those claimants also in receipt of Housing Benefit, the Council also fully disregards War Disablement Pension and War Widow's Pension; with the cost of

the first £10 disregard met by the Government as part of the Housing Benefit subsidy claim and the remainder of costs covered by the Council.

- Offering 12-month (rather than 10-month) instalment payments to Council Tax payers and taking a sensitive approach to enforcement action to consider the potential vulnerability of Council Tax Reduction claimants. Before cases are referred to Enforcement Agents a vetting stage has been introduced and cases are dealt with under a separate debt recovery process to minimise potential increases in debt.
- In response to the cost-of-living crisis, the procedures for negotiating payments have been reviewed and updated to include feedback from Sefton Citizen's Advice. In addition, there is a co-ordinated working relationship between the Council's contracted Enforcement Agents and Citizens Advice to support people in debt. Citizens Advice Sefton has direct lines of communication with the Enforcement Agents and can arrange for recovery action to be placed on hold whilst discussing and agreeing affordable payment arrangements.
- The Debt Respite Scheme (Breathing Space) which started on 04<sup>th</sup> May 2021 gives someone with debt problems the right to legal protections from recovery activity. Standard breathing space lasts for 60-days and can be extended if the customer is receiving mental health crisis treatment. This enables a debt advice provider time to arrange an appropriate debt solution. During the period 1<sup>st</sup> November 2022 – 31<sup>st</sup> October 2023, the Council has received notification of 150 customers in Breathing Space of which 116 have now expired. Over 95% of these applications were in respect of Council Tax debt only.

## 2.8 Attachment of Benefits

Since the introduction of the Council Tax Reduction Scheme in April 2013 the number of working age claimants falling into arrears continues to grow. One recovery option open to the Council for benefit claimants is to apply for an Attachment of Benefit (AOB) via the courts. Under this option, the following deductions from benefits may be applied:-

- For claimants of Job Seeker's Allowance/Income Support/Employment Support Allowance/Pension Credit the weekly deduction is £4.25.
- For single claimants under 21 on Universal Credit, the deduction is £16.75 per 4 weeks, rising to £18.44 per 4 weeks for those aged over 21.
- For couples over 21 on Universal Credit, the deduction is £28.94 per 4 weeks.
- An AOB cannot be applied without first having taken the debtor to court to obtain a Liability Order. Due to the need to follow the correct legislative timeline for obtaining a Liability Order, payment by AOB cannot commence until part-way through the year. Typically for a bill issued in March the first payments would not be made by the DWP until August of the same year.
- A significant number of customers have arrears for more than one financial year. As only one AOB order may be deducted at a time there has been a significant increase in the number of pending cases. These cases are effectively stacked up until an earlier order is paid. No recovery action may be taken in the interim and the value of such cases is increasing year on year.

- Many new claimants for local Council Tax Reduction have already accrued debts before an AOB can be considered.
- The following table shows the amount of debt being recovered by AOB, and the amount of debt still waiting recovery by AOB as at 31<sup>st</sup> October 2023: -

	<b>31.10.20</b>	<b>31.10.21</b>	<b>31.10.22</b>	<b>31.10.23</b>
AOB in payment	£1,011,275	£1,170,127	£1,719,777	£2,012,354
Number of cases	4,528	5,002	7,524	7,715
AOB Pending	£4,425,238	£4,868,797	£5,897,664	£7,441,760
Number of cases	18,076	17,101	20,008	22,649

## 2.9 Review of Scheme Principles

The local Council Tax Reduction Scheme is based on five principles and the review is summarised below:

<b>Principle</b>	<b>CTRS working for non-pensioner claimants?</b>
The Council will continue to support work incentives	<b>Yes</b> – The Council continues to operate a system which disregards certain amounts of money from customers earnings through employment and self-employment when calculating entitlement, and to support those working households making the transition from legacy state-benefits to Universal Credit.
The Council will continue to recognise the additional needs of our most vulnerable residents.	<p><b>Yes</b> – The Council continues to make additional allowances and give additional support to those receiving certain DWP sickness benefits, disability benefits and benefits for Carers when calculating entitlement.</p> <p>Additionally, the Council continues to disregard certain disability benefits as income when calculating entitlement</p> <p>Procedures are regularly reviewed for the collection of non- payment of Council Tax to ensure non-disproportionate impact on the most vulnerable households. Also budgeting support and advice is made available to all claimants.</p> <p>The Council Tax Exceptional Hardship Fund is</p>

	available to those in the greatest financial need with fair and transparent criteria for awards.
The Council will continue to recognise the additional needs of families with children	<p><b>Yes</b> – Child Benefit and Child Maintenance payments are not considered as income when calculating entitlement to CTRS.</p> <p>Additional allowances are given when calculating entitlement for where there is a disabled child in the family.</p> <p>The CTRS takes childcare costs into account for low income working families</p> <p>The Council continues to include the Family Premium when calculating the Council Tax Reduction. This has been removed for all new Housing Benefit claims from 2016. The Council has also chosen not to mirror the Housing Benefit scheme which restricts the amount of support given to families with more than two children within its CTRS:</p>
The Council supports households staying together to make better use of housing in Sefton and reduce homelessness.	<b>Yes</b> - The amount of Council Tax Reduction taken away from a customer when other adults live in the household (known as a non-dependant deduction), was reduced in 2013 and remains at those lower levels.
The Council will continue to have due regard to the Armed Forces Covenant	<b>Yes</b> – War Disablement and War Widows pensions in calculating CTRS, including any Armed Forces compensation in accordance with the covenant is disregarded. This also includes the service attributable element of the armed forces pension could also be disregarded as income when calculating entitlement.

## 2.10 Council Tax Exceptional Hardship Fund (EHF)

The EHF aims to help vulnerable working age people experiencing financial hardship by reducing their Council Tax bill. Each year, EHF of approximately £20,000 is used to fund council tax discounts for care leavers.

The fund is administrated within an agreed policy, the Discretionary Reduction in liability policy, approved by Cabinet Member for Regulatory, Compliance and Corporate Services.

The total fund for 2023/24 is £360,483, this includes the £170,000 annual EHF and agreed carry over from 2022/23. As at 01/11/23, £160,592 has been awarded, leaving £199,891 available for the remainder of the year.

## 2.11 Summary of local Council Tax Reduction Scheme Review 2023/24

The forecast cost of the scheme has increased by £1.225m (4.8%) in 2023/24 to £26.847m (at 30/09/23). This is largely due to an average council tax increase of 5.11% being offset by a small reduction in claimants.

### **3. Council Tax Reduction Scheme - Consultation**

3.1 A public consultation was carried out during the period 11<sup>th</sup> September – 13<sup>th</sup> October 2023 to seek feedback on a proposed change to the Council Tax Reduction Scheme with effect from 1<sup>st</sup> April 2024 affecting working-age households in employment and receiving Universal Credit.

3.2 Working age households in receipt of Universal Credit, which is administered by the DWP, must still claim Council Tax Reduction from their local council. Data-sharing arrangements in place mean that the DWP provide details of Universal Credit entitlement to local authorities to support the administration of Council Tax Reduction. In principle, this arrangement is beneficial as local authorities receive timely notifications of Universal Credit changes but in reality, the majority of changes are small and insignificant meaning that a household can receive multiple revised Council Tax bills and differing amounts to pay towards their Council Tax during the course of the year, e.g., if a claimant earns a different amount each month their Universal Credit will automatically adjust to reflect the amount they earn during that month, triggering a typically minimal change to Council Tax Reduction.

3.3 The Council's Benefits service, responsible for administering Council Tax Reduction, is already dealing with a high volume of work resultant from small, insignificant changes to Universal Credit. As more households move to Universal Credit from legacy DWP-benefits the workload, and administrative demands, will further increase.

3.4 It is proposed to make an administrative change to the Council Tax Reduction Scheme with effect from 1<sup>st</sup> April 2024 for working age households, in employment, in receipt of Universal Credit whereby monthly notifications of small changes in Universal Credit received from the DWP, triggered by a small change in someone's earnings (e.g., they have worked a few hours extra or overtime or less) are not actioned.

3.5 Changes, or representations, notified to the Council by the householder themselves will continue to be accepted and processed as they are currently. Processes will also remain in place to identify and deal with significant changes in Universal Credit entitlement, e.g.,

- Someone stops working.
- Universal Credit payments stop.
- Someone changes jobs or get a second job.
- Someone moves house, or someone joins or leaves a household.

3.6 The proposal is intended to make the level of Council Tax Reduction more stable, making budgeting easier and reduce unnecessary administration and associated costs.

3.7 Details of the consultation are found at Annex B. In summary, 150 responses were received, with 90% of respondents agreeing with the proposal.

#### **4. Local Council Tax Reduction Scheme - Equality Impact Assessment**

Department for Communities and Local Government issued a report in February 2014 reminding local authorities of their key duties when deciding on local Council Tax Reduction Schemes:

- Public Sector Equality Duty (The Equality Act 2010)
- Duty to mitigate the effects of child poverty (The Child Poverty Act 2010)
- The Armed Forces Covenant
- Duty to prevent Homelessness (The Housing Act 1996)

An equality impact assessment has been undertaken as part of the review of the Council Tax Reduction Scheme and the proposed change for 2024/25, and is available at Annex B. The assessment found that there are no disproportionate impacts; mitigating actions remain effective and valid continuing to support working families and vulnerable residents as follows:-

- The Council continues to provide a discretionary Exceptional Hardship Fund to assist financially vulnerable working age households and families as described in paragraph 2.10 above.
- Procedures and processes for collection of non-payment of Council Tax as set out at paragraph 2.7 above help to ensure that there is no disproportionate impact on the most vulnerable households.
- The Council continues to support the five principles set out for the Scheme as can be seen at the table at paragraph 2.9 above.
- Legislation remains in place to protect low-income pensioners from any reduction in support brought about by the introduction of the local Council Tax Reduction Scheme.

#### **5. Conclusion – Local Council Tax Reduction Scheme**

As a result of the work undertaken, it is proposed that the Council's local Council Tax Reduction Scheme for 2024/25 will change for working age households in employment in receipt of Universal Credit as described above. The Scheme continues to address the Council's focus to minimise the impact on the most vulnerable households by striking a balance between collecting Council Tax whilst supporting those experiencing financial challenges.

In addition, there would be no additional revenue implications because of a decision to retain the current scheme, with the cost of the current Scheme discounts reflected in the council tax base.

#### **6.0 New Council Tax Premiums**

##### **6.1 Background**

Since 1st April 2013, Councils have been able to charge a Council Tax premium on unfurnished properties that have been left empty for more than two-years as a means of incentivising owners of these properties to bring them back into use.

The premium cannot be applied to homes that are empty due to the occupant living in armed forces accommodation for job-related purposes, or to annexes being used as part of a main property. Furthermore, the Council Tax system provides statutory exemptions for properties left empty for a specific purpose – for example, when a person goes into care. However, there is no statutory exemption from the premium for properties that are genuinely on the market for sale or letting. Councils also have powers to apply discretionary discounts in cases where homes are empty due to special circumstances – for example, financial hardship, fire or flooding.

The premium may be applied when a property has been empty for two years, irrespective of how long its current owner has owned it. Therefore, it is possible for an individual to buy a property which has already been empty for two years and be liable for the premium immediately. This scenario may occur if, for instance, the individual does not occupy the property immediately because they wish to extend or renovate the property. If the long-term empty property is occupied for a period of 6 weeks or less it is regarded as not having been occupied for the purposes of the two-year period. Occupancy of a long-term empty property for more than 6 weeks “resets the clock” for this purpose.

## 6.2 Levelling Up and Regeneration Act 2023

The Levelling Up and Regeneration Act 2023, introduced new regulations that allow billing authorities to charge a premium of up to 100% on homes that have been empty for one year or more from 1 April 2024, as well as a premium of up to 100% on dwellings that are occupied periodically (second homes) from 1 April 2025. The later date for second homes is because the Act requires authorities to provide 12 months-notice to second homes prior to implementation. These are discretionary powers, and it is up to local authorities to decide what level of premium (if any) is appropriate in their area.

## 6.3 Long-Term Empty Homes

Across the borough there are currently around 2,100 homes that have been empty for six months or longer (excluding those which are exempt from paying Council Tax); of these, nearly 1,400 have been empty for one year or more. In a time when demand for housing is increasing this is a significant wasted resource.

On 31 October 2023, there were 815 long-term empty dwellings paying a premium of at least 100%. Applying the premium on properties that have been empty for one year, rather than two, would mean that a further 570 properties would have to pay a 100% premium unless the owners took action to bring those properties back into use.

As well as charging the empty homes premium, there are other Council initiatives to help bring empty homes back into use, this includes offering advice to owners through sending regular letters and the Council’s property accreditation scheme that helps empty homeowners find tenants for their property. The Council’s Housing Standards Team will also work with owners to bring their properties back into use. However, in some cases enforcement action is required when the property is causing a statutory nuisance and the owner is uncooperative or untraceable.



### 6.3 Dwellings that are occupied periodically (second homes)

On 3 October 2023, there were more than 405 properties liable for Council Tax in the borough registered as second homes. Such properties are likely to be empty for long periods of the year and, like other empty homes, could be viewed as a wasted resource in a time of high demand for housing.

The Levelling Up and Regeneration Act 2023 introduces new regulation that allows councils in England to charge a premium of up to 100 per cent on second homes. The legislation requires that a billing authority's first determination under this section must be made at least one year before the beginning of the financial year to which it relates. This is required to give second homeowners 12 months' notice of the change. As a result of this clause the earliest date the premium could be applied is 1 April 2025.

### 6.4 Exceptions

In July 2023, the Government published a consultation which set out a number of exceptions that billing authorities would need to apply when charging a premium under the Levelling Up and Regeneration Act 2023.

These exceptions included in the consultation are highlighted below:

<b><u>Exception</u></b>	<b><u>Applies to</u></b>
1. Properties Undergoing Probate	Both
2. Properties being actively marketed for sale or let	Both
3. Empty properties undergoing major repairs	long-term empty homes
4. Annexes forming part of, or being treated as part of, the main dwelling	second homes
5. Job-related dwellings	second homes
6. Occupied caravan pitches and boat moorings	second homes
7. Seasonal homes	second homes

It was proposed that exception 1 should apply for a maximum of 12 months and that exceptions 2 and 3 apply for a maximum of 6 months. The exceptions 4, 5, 6, and 7 are not time limited. These exceptions would provide council taxpayers time to sell or let their properties without having to pay the premium. The Government has not yet published the outcome of the consultation.

### 6.5 Budget Pressures

Due to rising costs as a result of inflation, the energy crisis, and rising demand for services such as caring for vulnerable adults and children, the Council needs to make difficult decisions about increasing income and/or amending service provision. The changes to Council Tax premiums outlined above would raise additional Council Tax income and therefore help the Council to balance its budget in 2024/25 and 2025/26.

### 6.6 Proposed Change from 1 April 2024

It is proposed that the Council introduce a 100% premium charge on 'properties that have been left empty for 1 years or more' (rather than the current 2 years) in-line with the maximum allowable under the new legislation from 1 April 2024.

The aim of this increase would be to incentivise owners of long-term empty properties to bring them back into use. This will increase the stock of available housing in the borough, which would assist in achieving the aims of the local development plan. It will also increase the amount of Council Tax income raised from those that continue to leave their properties empty.

This would give the following forecast increase in Council Tax income in 2024/25:

	2023/24 Band D Charge £	Additional Band D Equivalents	2024/25 Additional Income £ million
Sefton Council	1,853.90	226.9	0.420
Police & Crime Commissioner	251.97	226.9	0.057
Fire & Rescue Authority	88.61	226.9	0.020
Combined Authority	19.00	226.9	0.004
<b>Total</b>	<b>2,213.48</b>	<b>226.9</b>	<b>0.500</b>

The forecast assumes a 25% reduction in the number of homes that have been empty for 1 years or more is achieved in 2024/25 and that 25% would be exempt from the premium as a result of Government imposed exceptions. The actual number of properties brought back into use or subject to exceptions could be higher or lower than forecast and will be reflected in future tax base calculations.

#### 6.7 Proposed Change from 1 April 2025

It is proposed that the Council introduce a 100% premium charge on 'dwellings that are occupied periodically' in-line with the maximum allowable under the new legislation from 1 April 2025.

The aim of this increase would be to further incentivise owners of second homes to make these available for sale or let. This will increase the stock of available housing in the borough, which would assist in achieving the aims of the local development plan. It will also increase the amount of Council Tax income raised from those that continue to leave their properties empty.

This would give the following increase in Council Tax income in 2025/26:

	2023/24 Band D Charge £	Additional Band D Equivalents	2024/25 Additional Income £ million
Sefton Council	1,853.90	173.0	0.320
Police & Crime Commissioner	251.97	173.0	0.044
Fire & Rescue Authority	88.61	173.0	0.015
Combined Authority	19.00	173.0	0.003
<b>Total</b>	<b>2,213.48</b>	<b>173.0</b>	<b>0.383</b>

The forecast assumes a 25% reduction in the number of second homes is achieved by 1 April 2025 and that 25% would be exempt from the premium as a result of Government imposed exceptions. The actual reduction in second homes or subject to exceptions could be higher or lower than forecast and will be reflected in future tax base calculations.

## 6.8 Consultation

The Council undertook a public consultation on proposals to introduce the new discretionary premiums in-line with powers introduced in the Levelling Up and Regeneration Act 2023, which ran from 11<sup>th</sup> September to 27<sup>th</sup> October 2023.

Consultation findings and Equality Impact Assessment can be found at Annex C.

The Cabinet is recommended to consider the outcome of the consultation before deciding whether to recommend to Council the proposed premiums be introduced from 1st April 2024 (Long-Term Empty) and 1st April 2025 (Second Homes).