

Title: Local Council Tax Reduction Scheme (LCTRS) update for 2025/26 and changes to Council Tax on Long-Term Empty and Second Homes

Committee: Finance and Assets Committee

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1.0 Issue

- 1.1 Each year the Council is required to review its Local Council Tax Reduction Scheme (LCTRS). This report provides an annual review of the 2024 scheme and provides options to consider in relation to recommendations for scheme amendments for 2025/26.
- 1.2 To review and amend the Council's rules around Council Tax Premiums for long-term empty properties and Second Homes.

2.0 Recommendations

- 2.1 Committee is asked to consider and approve

(1) the annual review of the LCTRS scheme for the 2025/26 year, making one change to the scheme, that being, that DWP passported benefit status for LCTRS assessments will be disregarded where the Local Authority is satisfied that the LCTRS assessment is incorrect because of information obtained by the Local Authority Fraud Investigation Team.

(2) the changes in Council Tax Premiums on Long-Term Empty Properties and Second Homes as detailed in section 4.5 to 4.7 and the exemptions to these premiums as detailed in sections 4.8 and 4.9.

3.0 Background / Option

Local Council Tax Reduction Scheme

- 3.1. We are now in the twelfth year of LCTRS; a locally set scheme that replaced the previous nationally set Council Tax Benefit (CTB) scheme from April 2013.

- 3.2. In 2013/14 the Council took advantage of a one-off Government grant that compensated in part for the reduction in Government funding for the Working Age scheme. This meant that the maximum LCTRS awarded was 91.5%.
- 3.3. For 2014/15 to 2017/18 the Council retained the original scheme, except that allowances and premiums (the amounts of income from state-administered benefits such as Jobseekers' Allowance) were increased in line with other benefits such as Housing Benefit.
- 3.4. For the 2018/19 scheme the Council harmonised the scheme with DWP welfare reforms introduced for Housing Benefit and LCTRS for Pensioners and introduced closer links to Universal Credit data share for claims, thereby removing the requirement to make a separate claim.
- 3.5. For 2019/20 the Council made no changes to the scheme.
- 3.6. For 2020/21 the Council introduced a fluctuating earnings rule to the treatment of Universal Credit (UC). A weekly tolerance level of £15 (£65 monthly) was introduced to reduce the number of monthly reassessments impacting customers every time a revised Universal Credit notification is received.
- 3.7. For 2021/22 there were no changes implemented.
- 3.8. For 2022/23 there were four amendments made to the scheme. Reducing the capital threshold from £16,000 to £10,000 and abolishing tariff income for those with under £10,000. Applying a fixed rate non-dependent deduction of £7.40 per week. Streamlining the Council Tax Support application process by signposting customers to claim Universal Credit and Council Tax Support at the same time. Increasing the Universal Credit income variation rule from £65 to £100 each month.
- 3.9. For 2023/24 and 2024/25 the 8.5% minimum contribution scheme was retained for working age residents with no changes.

Long-Term Empty and Second Homes

- 3.10 Long Term Empty (LTE) properties currently attract a Council Tax Premium of 100% additional charge after two years of being unoccupied empty and unfurnished.
- 3.11 Second Homes, properties which are unoccupied but furnished, currently attract a full Council Tax charge.
- 3.12 Following the enactment of the Levelling Up and Regeneration Act 2023, councils have discretion to alter the LTE Premium and impose a Premium on Second Homes. Councils can specify if they want any particular type of property to be excluded.

- 3.13 LTE properties – From 1 April 2024 LTE properties can attract the Council Tax Premium after one year rather than two years. The Act requires this determination to be set prior to the start of the financial year.
- 3.14 Second Home Properties can now attract a Council Tax premium. In order to implement the Premium, a clear 12 month period and a full financial year’s notice is required. Therefore, the earliest a Second Home Premium could be charged is the 1 April 2026.

4.0 Arguments / Conclusions

Local Council Tax Reduction Scheme

- 4.1. Options for the 2025/26 Scheme are around the level of discount offered (options 1 and 2) and responses to fraud (option 3):
- 4.2. **Option 1.** Do nothing and retain the current scheme with 8.5% minimum contribution.

Option 2. Decreasing the contribution rate from 8.5% to 0% to support low-income households during the cost-of-living crisis.

Options	Cost to District Council	Cost to County Council
1. Maintain current scheme with 8.5% minimum contribution.	None	None
2. Decrease minimum contribution toto 0%	14,115.80	153,221.08

- 4.3. It is recommended to go with option 1 and retain the current scheme with the 8.5% minimum contribution level.
- To ensure that the principle of everyone making at least a small contribution towards their Council Tax charge is maintained.
 - To maintain a level of Council Tax income to continue to provide funding for services at district and county level.
 - There is other support available for those on low incomes and impacted by the cost-of-living crisis within the Housing Team and those affected should also be signposting to maximise benefit take-up, reviewing discounts and exemptions and providing Exceptional Hardship Payments where there is a need.
- 4.4 **Option 3.** The proposed change is to amend the LCTRS scheme to enable cases to be re-assessed where evidence has been obtained by the Fraud Team relating to cases with a DWP passported benefit in payment. The current LCTRS Scheme prevents the re-assessment of LCTRS entitlement for passported cases where a Council Fraud investigation has been completed, unless the DWP have confirmed the case is also under investigation with the DWP. The DWP rarely confirm an investigation is underway which prevents the Council from re-assessing customers’ LCTRS entitlement. The proposal is to continue with the current

process of requesting the DWP to join Council's investigations but to permit the Council, based on the evidence gathered, to re-assess LCTRS for those customers in receipt of passported benefit without the requirement for DWP confirming an investigation is in progress.

This amendment to the scheme will clarify that DWP passported benefit status for LCTRS assessments will be disregarded where the Council is satisfied that the LCTRS assessment is incorrect because of information obtained by the Fraud Investigations Team.

Long-Term Empty and Second Homes

4.5 It is recommended to make the changes now allowed under the new Legislation, i.e. to allow Long-Term Empty premiums to be applied after one year as opposed to two, this coming into effect on the 1st April 2025.

4.6 To apply a premium of 100% to Second Homes from the 1st April 2026.

4.7 For Long Term Empty properties – should the decision made to alter the period before Premium is applied from two years to one – 186 properties will get an extra charge.

That charge in 2024/25 Council Tax values would have been £392,836.08.

For Second Homes – should Premium be agreed before 31st March 2025, the extra charge can be applied from 1 April 2026. As it stands now – 274 properties are affected with an extra £587,213.73 charged at 2024/25 levels.

4.8 The Government recognises that there may be instances where it would be inappropriate for the Council Tax premiums to apply and has therefore made regulations to provide mandatory exceptions to these premiums which will come into effect from 1st April 2025.

The regulations prescribe nine classes of dwellings which are excluded from the Council Tax premiums as follows:

Long-term empty and second homes

- Dwelling which is or would be someone's sole or main residence if they were not residing in job-related armed forces accommodation
- Annexes forming part of, or being treated as part of, the main dwelling
- Dwellings being actively marketed for sale (12 months limit)
- Dwellings being actively marketed for let (12 months limit)
- Unoccupied dwellings which fell within exempt Class F and where probate has recently been granted (12 months from grant of probate/letters of administration)

Second Homes Only

- Job-related dwellings
- Occupied caravan pitches and boat moorings

- Seasonal homes where year-round permanent occupation is prohibited, specified for use as holiday accommodation or planning condition preventing occupancy for more than 28 days continuously.

Long-Term Empty Homes Only

- Empty dwellings requiring or undergoing major repairs or structural alterations (12 months limit)

4.9 In addition to the above Government proposed exceptions, it is proposed that specific local exceptions apply in relation to:

Long-Term Empty and Second Homes

- Dwellings actively being marketed for sale – extend for up to 24 months
- The Section 151 Officers retain discretion to override the empty homes and second homes premium in exceptional circumstances in individual cases, for example where vulnerability or hardship is identified.

Long-Term Empty Homes Only

- Where a property has been sold, there can be an exception for the new owner from being charged the empty homes premium for up to 24 months.
- Where a property has been purchased through Land Registry at market value and the new owners are unable to reside due to its condition, there can be an exception for the new owner from being charged the empty homes premium for up to 12 months from date of purchase.
- Where a property has been inherited and the new owners are unable to reside due to its condition, there can be an exception from the empty homes premium for up to 12 months.

5.0 Additional Implications Assessment

5.1 In the table below, please put Yes or No in each box:

Financial Implications	Legal Implications	Human Resources (HR) Implications
Yes	No	No
Equality Impact Assessment (EIA)	Carbon Impact Assessment (CIA)	Data Protection Impact Assessment (DPIA)
No	No	No

6.0 Appendices

None

7.0 Background Documents

None