



City of Westminster

Cabinet Report

Meeting or Decision Maker:	Cabinet
Date:	16 December 2024
Classification:	General Release
Title:	Council Tax Discounts and Council Tax Base Report
Wards Affected:	All
Policy Context:	Statutory duty to set and collect Council Tax
Key Decision:	Yes
Financial Summary:	<p>The report proposes that:</p> <ul style="list-style-type: none">• The Council Tax discount for second homes remains at 0%• The Council Tax discounts for empty properties, including the discounts that replaced the previous Class A and C Council Tax exemptions, remains at 0%.• A Long-Term Empty Property Premium is continued at the maximum level allowed for by central government legislation.• The Director of Revenues and Benefits is authorised to determine any individual local discount requests in 2025/26 under Section 13A(1)(c) of the Local Government Finance Act 1992.• The Council Tax Base is set at 141,569.83 equivalent Band D properties for 2025/26 for the whole City, 101.76 equivalent band D properties for Montpelier Square and 3,739.64 equivalent

band D properties for Queen's Park.

- The existing Council Tax Local Reduction Scheme is retained for 2025/26.
- The Council confirms the determination made in last year's report to implement a 100% Second Home Premium for the 2025/26 financial year.

Report of:

Executive Director of Finance &
Resources

1. Executive Summary

- 1.1. The Local Government Act 2003 provided local authorities with discretion in relation to the level of Council Tax discount for specific categories of Council Tax properties, namely second homes and long-term empty properties. The Local Government Finance Act 2012 (“the Act”) which came into effect in April 2013 removed several Council Tax empty property exemptions and replaced them with locally determined discounts. The Act also enabled local authorities to remove the minimum 10% discount for second homes and to set a local Long-Term Empty Property Premium.
- 1.2. This report recommends retaining the same level of Council Tax discounts in 2025/26 as were set in 2024/25.
- 1.3. This report recommends that the Council continue to charge a Long-Term Empty Property Premium in 2025/26 at the maximum level allowed for by the current legislation. In addition, the report seeks confirmation of the determination made in last year’s report to implement a 100% Second Home Premium for the 2025/26 financial year.
- 1.4. The Welfare Reform Act 2012 and Local Government Finance Act 2012 replaced the Council Tax Benefit scheme with a locally determined Council Tax Reduction Scheme (also known as a local Council Tax Support Scheme), which is effectively now a type of Council Tax discount. The recommended 100% scheme for 2025/26 is a continuation of the scheme that was originally set by the Council in 2013/14.
- 1.5. The Council Tax Base is calculated in accordance with a nationally prescribed formula and represents the equivalent number of Band D properties within the area. The formula takes account of the number of properties in each band, the number of discounts given for single occupiers, empty dwellings, second homes and other eligible criteria, the prescribed proportions to convert numbers to Band D equivalents, and the estimated collection rate. The relevant regulations were changed from 1 April 2013, to enable the taxbase calculation to include a deduction for the equivalent number of Band D properties relating to the local authority’s Council Tax Reduction Scheme. The Council Tax Base must be determined and be notified to the Greater London Authority (GLA) and other levying and precepting bodies. As in the past, these notifications must be made by 31 January.
- 1.6. The calculations as detailed in Appendices 1 and 2 confirm a figure of 141,569.83 equivalent Band D properties for the whole City, 101.76 Band D equivalent properties for Montpelier Square and 3,739.64 Band D equivalent properties for Queens Park. The Queen’s Park Community Council was created on 1st April 2014 under the Council’s Reorganisation of Community Governance Order 2013. The Queen’s Park Community Council is a minor precepting authority for the purposes of Part 1 of the Local Government Finance Act 1992.

- 1.7. The taxbase calculation assumes that the recommendations in the report in relation to the level of Council Tax discounts and the Council Tax Reduction Scheme for 2025/26 financial year are adopted.

2. Recommendations

That Cabinet approve the following recommendations to Full Council for consideration at its meeting on 5 March 2025:

- 2.1. Approve the Council Tax discount for second homes remaining at 0%
- 2.2. Approve the Council Tax discounts for empty properties, including the discounts that replaced the previous Class A and C Council Tax exemptions, remain at 0%.
- 2.3. Approve the Long-Term Empty Property Premium continuing at the maximum percentages allowed for by the current legislation for the 2025/26 financial year.
- 2.4. Delegate authority to the Director of Revenues & Benefits be given delegated authority to determine any individual local discount applications received from Council Taxpayers during the 2025/26 financial year under section 13A(1)(c) of the Local Government Finance Act 1992.
- 2.5. Approve the same Council Tax Reduction Scheme for 2025/26 which has operated successfully since 2013/14. The scheme is based on the Default Scheme Regulations, updated to reflect changes made via the Prescribed Requirements Amendment Regulations and with War Disabled Pensions, War Widow, Pensions and Armed Forces Compensation scheme payments disregarded in full when calculating a claimant's income. The same disregards should continue to apply to Housing Benefit and claims for Discretionary Housing Payment (DHP).
- 2.6. Notes that the Council Tax Base for 2025/26 for the Whole City is 141,569.83 equivalent Band D properties, for Montpelier Square alone 101.76 equivalent Band D properties and for Queen's Park 3,739.64 equivalent Band D properties.
- 2.7. Notes that the figures set out in paragraph 2.3 above for the Council Tax Base for 2025/26 are to be used by the Council to make a determination pursuant to the requirements of the Local Government Finance Act 1992.
- 2.8. Notes the determination made in last year's report to implement a 100% Second Home Premium for the 2025/26 financial year.

3. Reasons for Decisions

- 3.1. The taxbase decision is sought in order that the Council complies with the requirements of the Local Government Finance Act 1992.

- 3.2. The retention of the same levels of Council Tax discount, for empty properties and second homes will continue to deliver additional Council Tax income for the Council without disadvantaging any vulnerable members of the community.
- 3.3. The recommendation to allow the Director of Revenues and Benefits to continue to determine any individual local discount claims will enable assistance to be given to individual Council Taxpayers. This will provide the mechanism for granting the local Council Tax discount for Care Leavers, foster carers, and other vulnerable Council Taxpayers in line with the Council's Council Tax Ethical Recovery procedure.
- 3.4. The Council's proposed 100% Council Tax Reduction Scheme will mean that the level of Council Tax support provided to the borough's working age claimants will effectively mirror that previously provided under the national Council Tax Benefit scheme.
- 3.5. The recommendation to continue the Long-Term Empty Property Premium at the maximum allowed for within current legislation aligns with the Council's aim to bring empty properties back in to use.
- 3.6. The recommendation to confirm the Council's previous determination to implement a 100% Second Home premium for the 2025/26 financial year will deliver additional income for the council, without effecting vulnerable residents.

4. Council Tax Discounts

Legislation

- 4.1. The Local Government Act 2003 provided local authorities with discretion in relation to the level of Council Tax discount for specific categories of Council Tax properties, namely second homes and empty properties. It also made provision for a local authority to set its own "local" Council Tax discount categories.
- 4.2. The Local Government Finance Act 2012 which came into effect in April 2013 removed several Council Tax empty property exemptions and replaced them with local determined discounts. The Act also enabled local authorities to remove the minimum 10% discount for second homes and to set a Long-Term Empty Property Premium.
- 4.3. The Welfare Reform Act 2012 and Local Government Finance Act 2012 replaced the Council Tax Benefit scheme with a locally determined Council Tax Reduction Scheme (also referred to as a local Council Tax Support scheme), which is effectively now a type of Council Tax discount.

Second Homes

- 4.4. A second home in Council Tax terminology is a furnished property which is no-one's sole/main residence.
- 4.5. The original Council Tax legislation prescribed that all local authorities had to give a discount of 50% for "second home" properties. However, the Local Government Act 2003 provided local authorities with the discretion to change the level of discount to less than 50% but set a minimum discount level of 10%. The Local Government Finance Act 2012 subsequently allowed the minimum discount to be reduced to 0%.
- 4.6. The relevant regulations include exclusions to the local authority discretion in relation to second home properties. The main exclusion being that local authorities are not able to amend the level of discount for the second homes of people who are liable for Council Tax on a property that is provided by an employer (tied accommodation). This means that the Council must continue to give a 50% discount for second homes meeting these criteria. A local authority also cannot amend the 50% level of the second home discount for any dwelling that consists of a pitch occupied by a caravan, or a mooring occupied by a boat. These exclusions also apply to the second home premium proposed to be introduced from 2025/26.
- 4.7. For each financial year since 2013/14 the City Council has decided that the second home discount should be set at 0%. It is recommended that the City Council retains the same 0% discount in 2025/26 as a decision to set a higher level of discount would reduce the Council's income.

Second Home Premium

- 4.8. The Levelling-up and Regeneration Act 2023 became law on 26 October 2023. The legislation allows for a Second Home Premium (additional charge) on second homes of up to 100%. The ability to charge a Second Home Premium technically came into effect on 1 April 2024, although there is a legislative requirement to delay implementation for 12 months before the premium can be implemented.
- 4.9. Central government have advised that this delay is to "give property owners a chance to respond, for example by selling or letting their properties" It is recommended that the Council confirms the determination made in last year's report to implement a 100% Second Home Premium for the 2025/26 financial year. The recommendation being based on the additional income that will result for the City Council (£1.8M per annum) and the GLA (£1.7M per annum), without effecting vulnerable residents.
- 4.10. On 1 November 2024 the government issued new guidance regarding exclusions to the Second Home Premium, under "Guidance on the implementation of the council tax premiums on long-term empty homes and second homes". It is not possible to judge at this stage the effect / take-up of these exclusions. It is therefore assumed for the purposes of the Taxbase calculation that the current volumes of second home properties subject to the premium will largely remain the same during 2025/26. If this forecast

proves to be incorrect, the effect will be adjusted for in the end of year Council Tax Collection Fund calculation.

Empty Properties

- 4.11. Prior to 1 April 2013, all Council Tax empty properties fell under one of the following three categories:
- **Class A Exemption:** If the property was empty and subject to major repair works / structural alterations, it was exempt from Council Tax for 12 months.
 - **Class C Exemption:** An exemption from Council Tax was granted for the first 6 months after a property became empty.
 - **Long-Term Empty Property Discount:** This was a locally determined Council Tax discount for the period after a Class A or Class C Exemption had expired. The Council had set a 0% discount level which meant that the owners paid the full Council Tax charge.
- 4.12. The Local Government Finance Act 2012 amended the relevant legislation so that the statutory exemptions referred to above (Class A and Class C) were replaced by locally determined discounts from 1 April 2013.
- 4.13. Since the 2013/14 financial year the City Council has determined that a 0% discount should be set for:
- a) The empty property discount which replaced the Class A exemption
 - b) The empty property discount that replaced the Class C exemption
 - c) The empty long-term property discount
- 4.14. It is recommended that the City Council retains the same 0% discount for each of the three categories of empty property discount referred to in 3.3.3. The recommendation being based on the fact that any increase in the level of discount will reduce the Council's income and reduce any incentive for an owner to take action with regard to their empty property.

Long Term Empty Property Premium

- 4.15. The premium is currently (for 2024/25) set at 100% of the normal Council Tax for properties that have been empty between 1 years – 5 years, 200% of the normal Council Tax for properties that have been empty between 5-10 years and 300% of the normal Council Tax for properties that have been empty for more than 10 years.
- 4.16. The above are the maximum premiums allowed under the legislation.
- 4.17. The current 100% premium on the Council's 497 properties that have been empty between 1 years and 5 years provides around £356K per annum in

additional Council Tax income for the Council. The current 200% premium on the Council's 105 properties that have been empty between 5 years and 10 years provides a further £169K per annum in additional Council Tax income. Finally, the current 300% premium on the Council's 24 properties that have been empty over 10 years provides a further £61K per annum in additional Council Tax income for the Council.

- 4.18. The guidance mentioned in 3.2.6 above also affects new exclusions to the Long-Term Empty Premium, e.g. a Long-Term Empty Premium cannot be applied if the property is being actively marketed for sale or let (for a period of up to 12 months), if the property is undergoing major works to make it habitable/structural alterations. It is not possible to judge at this stage the effect / take-up of these exclusions. It is therefore assumed for the purposes of the Taxbase calculation that the current volumes of empty properties subject to the premium will largely remain the same during 2025/26. If this forecast proves to be incorrect, the effect will be adjusted for in the end of year Council Tax Collection Fund calculation.

Local Council Tax Discounts

- 4.19. Section 13A of the Local Government Finance Act 1992 allows a local authority the discretion to create its own "local" Council Tax discounts for local situations which are not already covered by the national statutory discounts. The government's guidance gives the example of a local discount for properties affected by flooding.
- 4.20. Local discounts granted under Section 13A (1) (c) must be fully funded by the local authority.
- 4.21. It has been determined for each financial year since 2013/14 that the Director of Revenues & Benefits would be authorised to determine any individual applications from residents requiring additional assistance under the Local Discount provisions. In 2024/25 to date there have been approved applications totalling £119,424.80 (2023/24 full year £177,367.58). These applications primarily relate to care leavers, foster carers, and vulnerable residents, however, starting at the end of 2022/23 additional awards were made in line with the Council's Council Tax Ethical Recovery procedures. It is recommended that the delegation to the Director of Revenues and Benefits to determine individual applications is retained for 2025/26.

Council Tax Reduction Scheme

- 4.22. The Local Government Finance Act 2012 replaced the Council Tax Benefit scheme with a new locally determined Council Tax Reduction Scheme (also known as a local Council Tax Support scheme) from April 2013. This is effectively now a Council Tax discount.

- 4.23. Each local authority is required to annually set a local Council Tax Reduction scheme for working age claimants. The government continues to operate a statutory national scheme for pensioners, which provides them with broadly the same level of Council Tax Support as they received under the previous Council Tax Benefit scheme but has been adjusted by the government since its introduction to incorporate a number of welfare reform initiatives.
- 4.24. The local Council Tax Reduction scheme was initially funded through a specific central government grant set at 90% of each local authority's Council Tax Benefit expenditure. The government funding since 2014/15 has been rolled into the government's overall funding settlement and due to the overall cuts in funding for local government effectively increases the initial 10% funding reduction.
- 4.25. Since 2013/14, the City Council has agreed a Council Tax Reduction scheme which mirrored the previous Council Tax Benefit scheme, i.e. the City Council absorbed the government's 10% funding cut and did not pass the cut on to the borough's working age claimants. Technically this means that the original Council Tax Reduction Schemes (Default Scheme) Regulations are mirrored within the City Council's local scheme, with the addition that rates used to calculate the discount are uprated each year, and War Disabled Pensions, War Widow, Pensions and Armed Forces Compensation scheme payments are disregarded in full when calculating a claimant's income. It is recommended that this income disregard should continue to apply to Housing Benefit and claims for Discretionary Housing Payment (DHP).
- 4.26. It is recommended that the Council should retain the same 100% Council Tax Reduction Scheme in 2025/26.
- 4.27. The Council has in previous years conducted two consultations on the Council's website in relation to the Council Tax Reduction scheme. The results were limited, but the vast majority of responses were positive. Any future change to the Council's Council Tax Reduction scheme will require a full consultation exercise.
- 4.28. There is no statutory requirement to consult residents where there is no significant change to a Council's existing scheme.

5. Council Taxbase

Background

- 5.1. The Council is required for Council Tax purposes to notify the preceptors and levying bodies of the Council Tax Base.
- 5.2. The position is that:
 - a) the Council must approve and notify the preceptors and levying bodies of the Council Tax Base by 31 January each year,
 - b) the appropriate figure must be calculated using the Valuation List and Council Tax records as at 30 November 2024

Calculation of the Tax Base

- 5.3. The calculation of the Council Tax Base is by way of a statutory prescribed formula, which is set out at Appendix 1. The government have confirmed that the taxbase formula has been amended for 2025/26 to reflect the new Council Tax Second Home Premium. The Council tax (Prescribed Classes of Dwellings and Consequential Amendments) (England) Regulations 2024 (Reg 5) amend the taxbase formula to include the second home premium within "E" alongside the empty property premium.
- 5.4. The legislative changes relating to the Council Tax Reduction scheme resulted in a change to the formula for 2013/14 onwards (The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012). The change being that an estimate of the number of Band D equivalents relating to the Council Tax Reduction scheme has to be deducted from the overall taxbase. This amendment means that local authority taxbases from 2013/14 onwards are significantly lower than in previous years. However, the reduction was initially compensated for by a new Council Tax Support grant, which the government calculated based on 90% of the Council's previous Council Tax Benefit expenditure. The grant has subsequently been rolled into the government's overall funding settlement.
- 5.5. Appendix 2 shows details of the distribution of properties by Band, and the calculated equivalent Band D properties (known as the "relevant amount") within each Band after applying the formula.
- 5.6. To calculate the Council Tax Base the "relevant amount" figures for each Band have been aggregated and then adjusted to take account of the estimated collection rate and Ministry of Defence properties. The estimated collection rate used in the calculation for 2024/25 was 96%.(the same as last year) Is this the same as last year) It is recommended that this percentage should remain for 2025/26. If the forecast collection rate is not achieved, the under collection will be reflected in the Council Tax Collection Fund and the deficit will be shared with the GLA.

- 5.7. The Council Tax Base is calculated, for the whole of the City for 2025/26 as 141,569.83 equivalent Band D properties, for Montpelier Square 101.76 equivalent Band D properties and for Queens Park is 3,739.64 equivalent Band D properties.
- 5.8. The Tax Base calculation assumes that the recommendations in this report in relation to the level of Council Tax discounts (including the Council Tax Reduction Scheme) and empty property and second home premiums are approved.

6. Financial Implications

- 6.1. The 2025/26 tax base shows a growth of 3.11% when compared with the 2024/25 tax base. The growth will deliver around £2.145M in additional Council Tax income in 2025/26 for the Council. This figure includes the increased income for the City Council from the introduction of the new second home premium.
- 6.2. The Council's decision in 2013/14 to implement a Council Tax Reduction Scheme which mirrored the previous Council Tax Benefit Scheme, effectively meant that the Council had to absorb the government's 10% cut in funding for the Council Reduction Scheme arrangements. However, the increased Council Tax income derived from the Council Tax discount changes implemented in 2013/14 more than covered the shortfall. This remains the case in 2025/26.
- 6.3. The Business Rate Retention scheme introduced within the Local Government Finance Act 2012 replaced the previous Formula Grant scheme from 1 April 2013. The Retention scheme Funding Baseline was scheduled to be recalculated for a planned scheme Reset in 2020. However, the government's Fair Funding Review including the funding baseline, and the review / revision of the national Business Rate Retention scheme, has been deferred until 2026/27 and this will not take place in time for the 2025/26 financial year. Therefore, the changes in the Council's Tax Base will not have an effect on the Council's grant funding position for 2025/26.
- 6.4. The government have recently issued guidance regarding some exclusions to the Second Home and Empty Property Premiums. It is not possible to judge at this stage the effect / take-up of these exclusions. It is therefore assumed for the purposes of the Taxbase calculation that the current volumes of empty and second home properties subject to the premiums will largely remain the same during 2025/26. If this forecast proves to be incorrect, the effect will be adjusted for in the end of year Council Tax Collection Fund calculation.
- 6.5. On 1 October 2013 the Council made the City of Westminster (Reorganisation of Community Governance) Order 2013. This created a

new parish of Queen’s Park from 1st April 2014. The Queen’s Park Community Council was elected on 22nd May 2014 and became a precepting authority. The Queen’s Park taxbase of 3,739.64 equivalent Band D properties will result in an overall Council Tax income for the Community Council in 2025/26 (based on the existing precept level) of around £195,000.

7. Legal and Governance Implications

7.1. The legal provisions which are relevant to the recommendations in this report are outlined in the body of the report

8. Climate Impact

8.1. There are no known climate implications.

9. Equalities Implications

9.1. An EQIA has been undertaken and there are no specific equality groups impacted.

10. Consultation

10.1. As this report relates to all wards, no Ward Member consultation was required.

10.2. The Ward Members for Queens Park were originally consulted as part of the City of Westminster (Reorganisation of Community Governance) Order 2013.

APPROVED BY

Title	Date sent	Date approved
Director of Revenues & Benefits	25/11/24	25/11/24
Director of Finance	11/11/24	12/11/24
Principal Solicitor (Employment)	11/11/24	11/11/24
Strategic Lead – Cabinet and Executive Governance	27/11/24	27/11/24

APPENDICES

- Appendix 1 - Taxbase Formula
- Appendix 2 - Tax Base Calculations for 2025/26
- Appendix 3 - Tax Base for Montpelier Square ONLY
- Appendix 4 – Tax Base for Queens Park Community Council

BACKGROUND PAPERS

- There are no background papers.