

**Report to:** Lead Member for Resources and Climate Change

**Date of meeting:** 12 December 2023

**By:** Chief Finance Officer

**Title:** Local Council Tax Reduction Scheme: Consultation Response

**Purpose:** To agree proposed response to Rother District Council billing authority on proposed changes to their Local Council Tax Reduction Scheme 2024/25

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**RECOMMENDATION:** The Lead Member is recommended to approve the response, as set out on paragraph 4.1 of this report, to Rother District Council on proposed changes to their Local Council Tax Reduction Schemes for 2024/25.

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## 1 Introduction

1.1 Council Tax billing authorities are required to review their Local Council Tax Reduction Schemes (LCTRS) annually and to consult publicly on any proposed changes. Precepting authorities are statutory consultees in this process; in East Sussex, these are East Sussex County Council (ESCC), East Sussex Fire and Rescue and the Sussex Police and Crime Commissioner. The final decision to set or change the LCTRS rests solely with each billing authority.

1.2 Rother District Council (RDC) are currently consulting on changes to their LCTRS for 2024/25. As a Precepting Authority, we have been invited to provide a response to these proposals by 22 December 2023. The proposed changes in the scheme for 2024/25 are to increase the maximum Council Tax Reduction (CTR) available to working age adults to 100% and to remove the £5 per week minimum payment, which will reduce the amount of council tax income the County Council will receive.

## 2 LCTRS Background

2.1 When Council Tax Benefit (CTB) was abolished in April 2013, and local authorities were charged with designing their own LCTRS, the funding that had previously supported the CTB was reduced nationally by 10%. In response to this reduction in funding, 80% of local authorities made changes to these old CTB system by reducing entitlements for working age families, with the remaining 20% of authorities choosing to absorb the cut in funding entirely through other spending reductions or council tax increases (Institute of Fiscal Studies: IFS Report R90).

2.2 Over time each District and Borough council has developed a scheme that is specific to their authority. A review of LCTRS was conducted jointly through the East Sussex Chief Executives' Group and East Sussex Finance Officers' Association in 2014/15, which came into effect in 2016/17. It was agreed to implement measures to support those in financial need and also to provide additional staffing resource at each billing authority to support recovery activity. The costs of these measures were shared with precepting authorities in proportion to their share of Council Tax. ESCC made a one-off contribution of £122,457 to the Hardship Fund in 2016/17 and has made an annual contribution towards staffing costs at the four East Sussex billing authorities which agreed to the Scheme (Hastings Borough Council did not participate), for 2023/24 this is projected at £183,950.

	Hardship Fund (£)	2023/24 Staffing - Projected (£)
Eastbourne	34,510	43,047
Lewes	27,585	38,088
Rother	27,740	55,869
Wealden	32,622	46,946
	<b>122,457</b>	<b>183,950</b>

### 3 LCTRS Proposed Changes

3.1 RDC are consulting on changes to their LCTRS for working age people in 2024/25. The proposed changes in the scheme for 2024/25 are to increase the working age maximum relief available to 100% and to remove the £5 per week minimum payment. The minimum payment is where any entitlement below £5 is not currently paid. The report presented to RDC Cabinet on 6 November 2023 is attached at Appendix 1.

3.2 The proposed 2024/25 discounts available based on current income thresholds will be as follows:

Discount %	Proposed Discount %	Single	Couple	Family with One Dependant	Family with Two (or more) Dependents
80%	100%	£0 to £112.39	£0.00 to £159.72	£0 to £218.89	£0 to £278.05
60%	60%	£112.40 to £171.55	£159.73 to £218.89	£218.90 to £278.05	£278.06 to £337.21
40%	40%	£171.56 to £230.72	£218.90 to £278.05	£278.06 to £337.21	£337.22 to £396.39
20%	20%	£230.73 to £289.90	£278.06 to £337.21	£337.22 to £396.39	£396.40 to £455.55

3.3 The loss of Council Tax income from these proposals has been estimated by RDC to be £1,280,000 in total per annum. ESCC's share of this loss of council tax income would be **£960,000**. The ESCC Medium Term Financial Plan, considered and noted by Cabinet on 7 November 2023, projected a budget deficit of £27.7m. RDC's proposal would increase the deficit to £28.7m, which would create a significant challenge.

3.4 Although not formally part of the consultation, RDC are considering changes that could be made from April 2024 in line with legislation under the Levelling Up and Regeneration Act 2023. These changes would bring in additional income, by:

- a) reducing the minimum period for the implementation of a premium for empty premises from two years to one year from 1 April 2024; and
- b) allowing Councils to introduce a premium in respect of second homes (dwellings that are unoccupied but furnished) of up to 100% from 1 April 2025.

3.5 Analysis from RDC estimates that the increased council tax from these schemes could be significant, with potential additional income to ESCC of £2,124,000 per annum from 2025/26 (£293,000 from empty premises premiums and £1,831,000 from second home premiums). All estimates are subject to the outcome of the Department for Levelling Up, Housing and Communities public consultation on

proposals to either exempt categories of dwellings from the premiums entirely or delay the implementation for certain dwellings closed on 31 August 2023.

#### **4 Proposed Consultation Response**

4.1 Ultimately the decision to approve the proposed changes to its LCTRS rests with RDC, however it is suggested that ESCC makes the following consultation response:

*East Sussex County Council recognises the impact the ongoing cost of living crisis is having on local communities, particularly, those who are vulnerable, both financially and for other reasons.*

*As you will be aware, in common with all local authorities, the County Council continues to face significant financial challenges, with county council service departments projected to overspend by £24.8m in 2023/24. In the recent Autumn Statement, no additional funding was announced for local authorities beyond the increases that were already expected and included within our planning assumptions. Furthermore, the planned increase in the National Living Wage to £11.44 for workers 21 years and over will add significant financial costs to the wider social care provider market, increasing the financial pressure on Children's Services and Adult Social Care in the coming years.*

*As we wait for the government to provide further details of funding through the local government finance settlement for 2024/25, the authority's Medium Term Financial Plan (MTFP) presents a deficit position by 2026/27 of £64.7m. Any loss of income from Council Tax arising from these proposed changes would only serve to increase the deficit and consequently adversely impact the level of services provided to residents.*

*Council Tax is the County Council's most important funding stream (70% of net budget in 2023/24) and we rely on certainty of this income to enable us to effectively plan services for the future. The Council will need to take account of any further reduction in the tax base on its income when considering options for achieving a balanced budget for 2025/26 and beyond. Any reductions in income from Rother District residents will be felt across the whole of East Sussex and potentially impact on the services on which the most vulnerable in the whole rely.*

*Thereby, East Sussex County Council can only support Rother District Council's proposals to change its LCTRS if every effort is made to implement and maximise income from the Council Tax flexibilities arising from the Levelling Up and Regeneration Act 2023. It is also requested that Rother District Council provide East Sussex County Council, as the major precepting authority, with regular monitoring data that provides evidence of the actual impact of such changes.*

#### **5 Conclusion and Reason for Recommendation**

5.1 RDC are consulting on proposals to change their LCTRS which will see a reduction on Council Tax income received by the County Council. Whilst the proposals address particular concerns within the authority, the impact of the reduction in income will be felt for County Council services that support the needs of residents across the whole of East Sussex. The response to the consultation reflects potential negative impact of the changes and recommends only supporting the proposed amendments to the LCTRS if RDC implement the additional flexibility offered to councils from the Levelling Up and Regeneration Act 2023.

#### **IAN GUTSELL**

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LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

None

**Rother District Council**

<b>Report to:</b>	Cabinet
<b>Date:</b>	6 November 2023
<b>Title:</b>	Council Tax Reduction Scheme
<b>Report of:</b>	Chris Watchman, Revenues and Benefits Manager
<b>Cabinet Member:</b>	Councillor Jeeawon
<b>Ward(s):</b>	All
<b>Purpose of Report:</b>	To consider the recommendations arising from the Overview and Scrutiny Committee meeting held on 16 October 2023, regarding the proposed changes to the Council Tax Reduction Scheme with effect from 1 April 2024. The report and recommendations arising are reproduced below and the Minutes of that meeting (Appendix C) should be read in conjunction with this report.
<b>Decision Type:</b>	Non-Key
<b>Overview and Scrutiny Recommendation(s):</b>	It be <b>RESOLVED:</b> That consultation with the public and Major Precepting Authorities on proposed changes to the Council Tax Reduction Scheme for working age applicants with effect from 1 April 2024 be approved.
<b>Reason for Recommendations:</b>	To request permission to undertake a consultation with both the public and the Major Precepting Authorities in respect of proposed changes to the Council's Council Tax Reduction Scheme with effect from 1 April 2024.

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**Introduction**

1. The purpose of this report is to request permission to undertake a consultation with both the public and the Major Precepting Authorities in respect of proposed changes to the Council's Council Tax Reduction (CTR) Scheme with effect from 1 April 2024.
2. Each year, the Council is required to review its CTR Scheme in accordance with the requirements of the schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or replace it.
3. As with many authorities within England, the District Council needs to consider making changes to the CTR scheme for working age applicants to improve the overall level of support to low income and vulnerable working age applicants.

## **Background**

4. CTR was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of the Department for Work and Pensions (DWP). As part of the introduction, the Government:
  - Placed the duty to create a local scheme for Working Age applicants with billing authorities.
  - Reduced initial funding by the equivalent of 10% from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
  - Prescribed that persons of Pension age would be dealt with under regulations set by Central Government and not the authorities' local scheme.
5. However, since that time, funding for the CTR scheme has been amalgamated into other central Government grants paid to local authorities and within the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from central Government sources.
6. The current CTR scheme administered by the Council is divided into two schemes, with pension age applicants receiving support under the rules prescribed by central Government, and the scheme for working age applicants being determined solely by the local authority.
7. Pensioners, subject to their income, can receive up to 100% support towards their council tax. The Council has no power to change the level of support provided to pensioners and therefore any changes to the level of CTR can only be made to the working age scheme.
8. When CTR was introduced in 2013, for working age applicants, the Council broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. However, due to the reduction in funding from central Government, the Council has, since 2016, also required working age applicants, even those on the lowest income, to pay a minimum payment of 20%.
9. Significant improvements have been made to the working age scheme with the introduction of a banded scheme in 2019, which has both simplified the scheme for applicants and reduced the administration burden caused by the introduction of Universal Credit.
10. Consideration of further changes is now required to improve the scheme further given the financial pressures being experienced by low-income households.

## **The issues with the current scheme**

11. The key concern is the requirement for low-income households to pay a minimum of 20%, significantly increasing the financial pressure on low-income households, particularly given all the wider economic pressures around the cost-of-living crisis.

12. Since the introduction of CTR, most authorities have required all working age applicants to pay a minimum payment. Under the previous scheme (Council Tax Benefit) almost 75% of working age applicants would not have been required to pay any Council Tax and would have received full (100%) support.
13. At present, Rother and Eastbourne are the only Councils across East Sussex which have not reverted to a 100% scheme, so it is important that Members revisit the level of support provided, particularly following the COVID-19 pandemic and the cost-of-living crisis which have had a major effect on household incomes generally.
14. Whilst the principle of all working age households paying ‘something’ was initially thought to be an approach that would be central to the design of CTR, the reality is that, since its introduction, low-income taxpayers, the poorest households, have been unable to pay the balance leading to additional costs, court, enforcement action and, in some cases, the amounts demanded have been written off as uncollectable.
15. Whilst the overall level of Council Tax collection has remained relatively stable at around 98%, the collection levels for working age CTR applicants is significantly lower:

**Table 1 – Collection Rates Working Age CTR applicants**

Financial Year	2016	2017	2018	2019	2020*	2021*	2022 *
Collection Rate	84.1%	85.9%	83.9%	84.5%	79.3%	81%	82.5%

16. The collection rate over the last three years has also only been maintained primarily due to central Government initiatives such as the Council Tax Hardship Fund and the Council Tax Support Scheme. (\* Indicates each of the years where government assistance has been given to taxpayers receiving Council Tax Reduction).
17. Without this additional support for those on low income, the collection rate for this cohort is expected to reduce further. This is significant and increases the cost to the collection fund by the need to increase the Council’s bad debt provision.
18. The Table 2 below shows 18.20% of all outstanding arrears since 2016 are for residents in receipt of working age CTR, with 63% of these arrears for residents receiving the maximum 80% support.
19. Therefore, with the difficulties in collection experienced, the relatively high level of arrears and the administration costs, it may no longer make the amounts economically viable to collect, notwithstanding the negative effects to those poorest households.
20. In addition, the costs of administration of these cases by the Council has increased significantly over the years. These costs are borne mainly by Rother District Council.

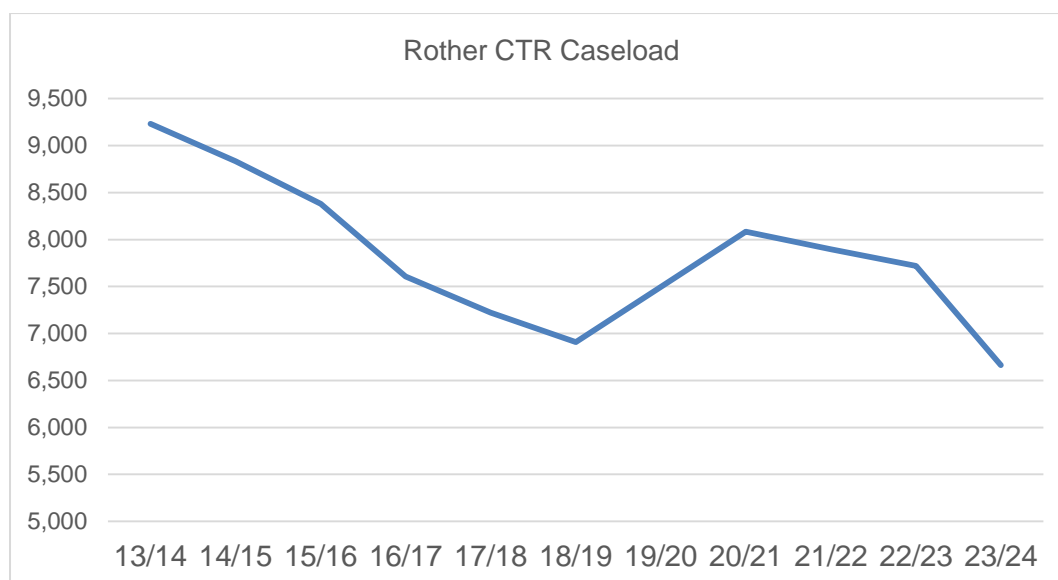
**Table 2 – Outstanding Arrears**

Arrears for all accounts		Working age CTR Recipients arrears		CTR recipients arrears as a % of total arrears	Arrears for accounts in receipt of 80% CTR as a % of all Working age CTR recipients arrears
2016/2017	137,988.92	2016/2017	14,985.02	10.86%	52%
2017/2018	197,058.62	2017/2018	27,080.27	13.74%	60%
2018/2019	281,837.59	2018/2019	44,582.72	15.82%	67%
2019/2020	466,365.99	2019/2020	83,347.64	17.87%	65%
2020/2021	740,379.15	2020/2021	122,516.04	16.55%	68%
2021/2022	832,846.26	2021/2022	173,942.61	20.89%	64%
2022/2023	1,401,800.31	2022/2023	272,105.25	19.41%	60%
Grand Total	4,058,276.84	Grand Total	738,559.55	18.20%	63%

**The financial effect of Council Tax reduction on the taxbase**

**Table 3 – CTR Caseloads**

	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Pension Age	N/A	N/A	N/A	N/A	N/A	N/A	NA	N/A	N/A	N/A	3,853.
Working Age	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,809
Total	9,232	8,832	8,3.79	7,607	7,223	6,910	7,496	8,084	7,895	7,720	6,662



21. The above shows that the caseload has reduced year-on-year since 2013 and now stands at approximately 27% below the 2013 figure. This is mainly due to the continued decrease in pensioner cases which has been reflected nationally.
22. In the case of the working age cases, the numbers did increase temporarily due to the COVID-19 crisis, but they are also now reducing year-on-year.



23. The costs of the CTR scheme have reduced as a percentage of the Council Tax Base since its inception in 2013, due to both the changes in caseload and the change in Tax Base itself. Table 4 shows how the level of Council Tax Reduction, as a proportion of the Council Tax Base, has reduced each year whilst at the same time the actual base has increased:

**Table 4 – CTR as a percentage of Council Tax Base**

	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Gross Tax Base	37,692	39,602	39,797	40,082	40,324	40,534	40,759	40,856	41,068	41,298
CTR	5,765	5,512	5,242	4,377	4,142	4,011	3,998	4,262	4,228	4,163
%age	15.3%	13.9%	13.2%	10.9%	10.3%	9.9%	9.8%	10.4%	10.3%	10.1%

24. It can be seen that the tax base is increasing year-on-year and since 2013 has increased by 9.57%, whereas the effect of CTR on the base has reduced over the same period by 34%.

### Proposed Changes

25. The proposed changes in the scheme for 2024/25 are to increase the working age maximum to 100% and to remove the £5 per week minimum payment.
26. The minimum payment is where any entitlement below £5 is not currently paid. When CTR was first introduced in 2013, this resulted in a significant cost reduction. However, with the introduction of Rother's current scheme in 2019, it now effects very few CTR recipients and therefore should have been removed when the banded scheme was introduced.
27. The proposed 2024/25 discounts available based on current income thresholds will be as follows:

Current Discount %	Proposed Discount %	Single	Couple	Family with One Dependant	Family with Two (or more) Dependents
80%	100%	£0 to £112.39	£0.00 to £159.72	£0 to £218.89	£0 to £278.05
60%	60%	£112.40 to £171.55	£159.73 to £218.89	£218.90 to £278.05	£278.06 to £337.21
40%	40%	£171.56 to £230.72	£218.90 to £278.05	£278.06 to £337.21	£337.22 to £396.39
20%	20%	£230.73 to £289.90	£278.06 to £337.21	£337.22 to £396.39	£396.40 to £455.55

28. These changes will allow the lowest income applicants to benefit from the increased support in accordance with their income level.
29. Several different options have been modelled with the above proposal being the most cost effective without reducing the entitlement of CTR to recipients in the lower bands.
30. The current scheme costs the collection fund around £8.2m. The proposed changes, taking into account an estimated 5% overall increase in the Council Tax charge for 2024/25, will increase costs to around £9.48m.
31. For information, the costs of the scheme are borne directly in accordance with the percentage received from the collection fund. A comparison is shown below

(Table 5) as to the relative costs for both the current scheme and the proposed new scheme.

32. It should also be borne in mind that, whilst the District Council is responsible for the full administration costs of the scheme, the Council only receives a small percentage of the amount collected.
33. The proposals will increase the cost of the CTR scheme for 2024/25, however the general increase in the taxbase plus the potential additional income detailed later in the report allowed by new legislation may offset **all** the additional costs.

**Table 5 - Increase in costs for proposed scheme (2023/24 & 2024/25 comparison)**

	Percentage from collection fund	Cost of CTR scheme 2023	*Cost of proposed CTR scheme 2024	Difference (increase)
	%	£m	£m	£m
<b>East Sussex County Council</b>	74.45	6.11	7.07	0.96
<b>Sussex Police</b>	10.55	0.86	1.0	0.14
<b>East Sussex Fire</b>	4.59	0.38	0.42	0.04
<b>Rother District Council</b>	8.73	0.72	0.83	0.11
<b>Parishes / Town (Example)</b>	1.68	0.13	0.16	0.03
<b>Total</b>	100	8.2	9.48	1.28

### Consultation

34. When changes to CTR are proposed, the Council is required to undertake a consultation with both the public and the Major Precepting Authorities. It is therefore proposed to run a six week consultation exercise during November and December.
35. The consultation will take the form of an online survey, asking stakeholders for their views on the proposal to increase the potential level of support to working age applicants to 100% and remove the minimum payment requirement (currently £5 per week). Details of the consultation documentation can be found at Appendix A.
36. The link to the questionnaire will be made available on the Council's website and will be sent to key stakeholders and groups working with residents effected by the changes. A paper version of the questionnaire will also be available on request.
37. Letters will also be sent to the Major Precepting Authorities asking for their formal response to the proposed changes.
38. Full details of the consultation results will be reported to Members during early 2024.

## Additional Income from changes to the Council Tax premiums

39. With the imminent Royal Assent of the Levelling Up and Regeneration Bill, it is Government's intention to allow English billing authorities to:
- (a) reduce the minimum period for the implementation of a premium for empty premises from two years to one year; and
  - (b) to allow Councils to introduce a premium in respect of second homes (dwellings that are unoccupied but furnished), of up to 100%.
40. In the case of 39(a), the changes can be introduced with effect from 1 April 2024. In the case of the second homes premium as outlined within 39(b), based on the current Bill, this will require a notice period of one year and therefore the expected start date will be 1 April 2025.
41. Based on the current level of premises subject to an empty premium, the following additional income could be available to the Council and all preceptors, in line with their share of the collection fund. For information, the estimated additional income is based on the current income from premiums pro-rata to the increased number of dwellings in each category.

**Table 6 - Empty premises premium**

	2022/23	No of Dwellings 2022/23	Amount Charged 2022/23 £	2023/24	No of Dwellings 2023/24	Amount Charged 2023/24 £	Estimated No. of Dwellings 2024/25	Estimated Charge 2024/25 £	Additional income £
Premium Empty 1 yr.	100%	N/A	N/A	N/A	N/A	N/A	207	344,662	344,662
Premium Empty 2yr.	100%	64	70,875	100%	79	131,538	0	0	0
Premium Empty 5yr.	200%	32	97,410	200%	24	90,900	34	128,775	37,875
Premium Empty 10yr.	300%	15	74,942	300%	17	90,174	19	100,782	10,611
Total		111	243,227		120	312,612	260	786,393	393,148

42. Should the Council adopt the new premium regime offered by the Bill, a larger number of premises will be subject to the premiums. Based on current values, there could be an increase in income from empty property premiums of around £393k per annum with effect from 1 April 2024.

## Second Home Premiums

43. As mentioned earlier, the Council may, if it resolves, also introduce premiums for second homes. If decided, the commencement date (in line with the legislation) will be 1 April 2025. Clearly the Council will need to be mindful of guidance to be provided by central Government on its implementation and the recent consultation on exceptions to the premiums. However, the following

table (Table 7 overleaf) shows the potential income that could be derived from this part of the new legislation.

## Equality Impact Assessment

44. A detailed equality impact assessment on the proposed changes to the Council's CTR Scheme is shown at Appendix B.

**Table 7 - Second Home Premiums**

	No of Dwellings 2022/23	No of Dwellings 2023/24	No. of Dwellings subject to premium (est.) 2025/26	Estimated Additional Income Second Home Premium at 100% based on current Band D Council Tax £m
Second Homes - No one's sole or main residence but furnished. 28-day planning restriction <sup>1</sup> (Class A)	50	46	40	Assume will be subject to exception
Second Homes (No one's sole or main residence but furnished. No planning restriction <sup>2</sup> (Class B)	1,237	1,188	1,100	£2.460m

## Conclusion

45. Moving to a 100% working age CTR scheme and the removal of the £5 per week minimum level, will inevitably lead to an increase in the cost to the tax base as outlined in paragraph 30.
46. However, the increase in the tax base generally (estimated at around £230k) and the change to the empty property premiums with effect from 1 April 2024 could offset the majority of the additional costs.
47. Details of the effects to the collection fund after changes to the CTR scheme, general increase in the taxbase, and implementation of 100% empty premises premium (after 1 year) from 1 April 2024 are shown below in Table 8.

**Table 8 – Collection Fund changes (after 1 year) from 1 April 2024**

Precepting Authority	Percentage from collection fund	Increase cost of Council Tax Reduction Scheme from 1 April 2024	Est. General increase in Taxbase 2024/25	Increase in liability due to changes in Empty Property Premiums 2024/25	Net increase 2024/25
	%	£m	£m	£m	£m
<b>East Sussex County Council</b>	74.45	0.96	0.171	0.293	0.496
<b>Sussex Police</b>	10.55	0.14	0.024	0.041	0.075
<b>East Sussex Fire</b>	4.59	0.04	0.011	0.018	0.011
<b>Rother District Council</b>	8.73	0.11	0.02	0.034	0.056
<b>Parishes / Town (Example)</b>	1.68	0.03	0.004	0.007	0.019
<b>Total</b>	100	1.28	0.23	0.393	0.657

48. In addition, the implementation of the second homes premium with effect from 1 April 2025 will significantly increase the level of income available to both the Council and major / local preceptors. A summary of the changes is shown below:

**Table 9 - Net increase in tax after the implementation of second homes premium with effect from 1 April 2025.**

	Percentage from collection fund	Increase in Gross Tax liability from 1 April 2025 due to second home premiums
	%	£m
<b>East Sussex County Council</b>	74.45	1.831
<b>Sussex Police</b>	10.55	0.260
<b>East Sussex Fire</b>	4.59	0.113
<b>Rother District Council</b>	8.73	0.215
<b>Parishes / Town (Example)</b>	1.68	0.041
<b>Total</b>	100	2.460

49. The estimated cumulative effect of the changes to premiums and the increase in the tax base generally should more than compensate for the increase in costs to the tax base through the proposed changes to the CTR scheme.
50. However, a Department for Levelling Up, Housing and Communities public consultation on proposals to either exempt categories of dwellings from the premiums entirely or delay the implementation for certain dwellings closed on 31 August 2023.
51. Although the results from the consultation are still unknown, it does give us an idea as to the types of dwellings that may be exempt. For example, Properties undergoing probate and properties being actively marketed for sale or let may be subject to a delay in the premium being implemented.

52. Therefore, as mentioned earlier in the report, the Council needs to be mindful of yet to be published guidance that may exempt certain categories of dwelling reducing any potential additional revenue.
53. Should Members approve this approach, the implementation of the changes to premiums will be subject to a separate report once the Levelling Up and Regeneration Bill has received Royal Assent and full guidance is known.

### Financial Implications

54. Moving to a 100% working age CTR Scheme will lead to an increase in the cost to the tax base as outlined in the report. However, the increase in the tax base generally and the potential effects of the changes to premiums could offset the majority of this additional cost.

### Equalities Implications

55. An equality impact assessment (EIA) has been completed on the proposed scheme changes and can be seen at Appendix B.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	Yes
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

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Appendices:	A: Draft Consultation Document B: Equalities Impact Assessment C: OSC Minute Extract
Relevant Previous Minutes:	None.
Background Papers:	None.
Reference Documents:	None.

**Minutes of the Overview and Scrutiny Meeting – 16 October 2023****OSC23/31. COUNCIL TAX REDUCTION SCHEME**

(8)

Members received the report of the Revenue and Benefits Manager which outlined a proposed consultation with both the public and the Major Precepting Authorities in respect of proposed changes to the Council's Council Tax Reduction (CTR) Scheme with effect from 1 April 2024.

The current CTR scheme administered by the Council was divided into two schemes, with pension age applicants receiving support under the rules prescribed by central Government, and the scheme for working age applicants being determined solely by the local authority. When CTR was introduced in 2013, for working age applicants, the Council broadly adopted the previous means tested Council Tax Benefit (CTB) scheme as the basis of awarding support. However, due to the reduction in funding from central Government, the Council had, since 2016, also required working age applicants, even those on the lowest income, to pay a minimum payment of 20%.

Significant improvements had been made to the working age scheme with the introduction of a banded scheme in 2019; consideration of further changes was now required to improve the scheme further, given the financial pressures being experienced by low-income households.

Under the CTB scheme, almost 75% of working age applicants would not have been required to pay any Council Tax and would have received full (100%) support. Since the CTR scheme's introduction, low-income taxpayers, the poorest households, had been unable to pay the balance leading to additional costs, court, enforcement action and, in some cases, the amounts demanded had been written off as uncollectable. Whilst the overall level of council tax collection had remained relatively stable at around 98%, the collection levels for working age CTR applicants was significantly lower.

With the difficulties in collection experienced, the relatively high level of arrears and the administration costs, it may have no longer made the amounts economically viable to collect, notwithstanding the negative effects to those poorest households. In addition, the costs of administration of these cases by the Council had increased significantly over the years; these costs were borne mainly by the Council.

The proposed changes in the scheme for 2024/25 were to increase the working age maximum to 100% and to remove the £5 per week minimum payment. The minimum payment was where any entitlement below £5 was not currently paid. When CTR was first introduced in 2013, this resulted in a significant cost reduction. However, with the introduction of Rother's current scheme in 2019, it now effected very few CTR recipients and therefore should have been removed when the banded scheme was introduced. The proposed 2024/25 discounts available based on current income thresholds were outlined in the report for Members' information.

The current scheme cost the collection fund around £8.2m. The proposed changes, taking into account an estimated 5% overall increase in the Council Tax charge for 2024/25, would increase costs to around £9.48m. The costs of the scheme were borne directly in accordance with the percentage received from the collection fund. The proposals would increase the cost of the CTR scheme for 2024/25, however the general increase in the taxbase plus the potential additional income allowed by new legislation (Levelling Up and Regeneration Bill) could offset all the additional costs.

The Council was required to undertake a consultation with both the public and the Major Precepting Authorities when changes to the CTR scheme were proposed. It was therefore proposed to run a six-week consultation exercise during November and December. The consultation would take the form of an online survey, asking stakeholders for their views on the proposal. Details of the consultation documentation were attached to the report at Appendix A and the consultation results would be reported to Members during early 2024.

With the imminent Royal Assent of the Levelling Up and Regeneration Bill, it was the Government's intention to allow English billing authorities to: reduce the minimum period for the implementation of a premium for empty premises from two years to one year; and to allow Councils to introduce a premium in respect of second homes (dwellings that are unoccupied but furnished), of up to 100%. The first could be introduced from 1 April 2024 and the second would require a notice period of one year and therefore the expected start date will be 1 April 2025. The estimated additional income was outlined in the report for Members' information.

Members had the opportunity to ask questions and the following points were noted during the discussions:

- it was suggested that all residents should pay a minimum rate of council tax, as the removal of such a requirement would have an adverse effect on all the preceptors;
- the consultation paper should explain the consequences of amending the scheme and offer alternative options;
- the estimated additional income that the Council could receive from introducing a premium for second homes should not be included in the consultation paper as a way to offset the reduction in council tax received, because this was yet to receive royal assent;
- any change to the scheme would affect all preceptors;
- the Council's Exceptional Hardship Fund and Household Support Fund were available to support residents experiencing financial difficulties, without the need to amend the scheme;
- the current economic climate and cost-of-living crisis disproportionately affected the vulnerable, resulting in many of those residents now not being able to afford to contribute. The Council had a duty to support its residents; and
- officers would provide Members with details of the costs involved with chasing unpaid bills after the meeting.



**RESOLVED:** That Cabinet be requested to consider that the Council consult with the public and Major Precepting Authorities on proposed changes to the Council Tax Reduction Scheme for working age applicants with effect from 1 April 2024.

(Councillor Clark declared a personal Interest in this matter as a Member of East Sussex County Council and in accordance with the Members' Code of Conduct remained in the meeting during the consideration thereof).

(Councillor Maynard declared a personal Interest in this matter as an Executive Member of East Sussex County Council and in accordance with the Members' Code of Conduct remained in the meeting during the consideration thereof).

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