

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

**Date of meeting:** 13 December 2022

**By:** Chief Finance Officer

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

**Purpose:** To agree proposed response to Wealden District Council billing authority on proposed changes to their Local Council Tax Reduction Scheme 2023/24

**RECOMMENDATION:** The Lead Member is recommended to approve the response as set out in paragraph 4.1 of this report to Wealden District Council on proposed changes to their Local Council Tax Reduction Schemes for 2023/24.

## 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 Wealden District Council (WDC) are currently consulting on changes to their LCTRS for 2023/24. As a Precepting Authority, ESCC have been invited to provide a response to these proposals by 23 December 2022. The proposed changes will see extensions to the LCTRS discounts available, thereby potentially reducing 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 systems 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 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. This came into effect in 2016/17. 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 2021/22 this amounted to £180,979.

	<b>Hardship Fund (£)</b>	<b>21/22 Staffing (£)</b>
Eastbourne	34,510	43,047
Lewes	27,585	38,088
Rother	27,740	55,870
Wealden	32,622	43,974
<b>Total</b>	<b>122,457</b>	<b>180,979</b>

### 3 LCTRS Proposed Changes

3.1 WDC are consulting on changes to their LCTRS for working age people in 2023/24. It is understood that the proposed changes are intended to provide further assistance to certain Universal Credit applicants and provide flexibility in the scheme to allow for changes in government welfare benefits and initiatives and to assist low-income households, particularly during the current cost of living crisis.

3.2 Whilst WDC determines the LCTRS, the impact is felt across a number of organisations. The share of income collected from Band D Council Tax raised by WDC is: East Sussex County Council 73%, Sussex Police and Crime Commissioner 10%, East Sussex Fire Authority 4%, Town/Parish Councils 4% and Wealden DC 9%. Thereby 91% of the income to other organisations will be impacted by any change in LCTRS. The latest statistics published on Council Tax base data (as at October 2022) reports that the annual council tax forgone from the WDC LCTRS for working age claimants is £3.880m per annum. The ESCC share of this forgone income is in the region of £2.8m. The current LCTRS provides discounts based on banding of household income with a discount of up to 80% available, as set out in the table below.

#### Current (2022/23) Council Tax Reduction Scheme Income Levels

Band	Discount (%)	Single Person	Couple no children / young person	Couple / lone parent with one child / young person	Couple / lone parent with two or more children / young persons
1	80	£0.00 - £90.23	£0.00 - £133.25	£0.00 - £186.77	£0.00 - £239.23
2	60	£90.24 - £143.74	£133.26 – £186.77	£186.78 - £239.23	£239.24 - £292.74
3	40	£143.75 - £197.26	£186.78 – £239.23	£239.24 - £292.74	£292.75 - £346.26
4	20	£197.27 - £251.82	£239.24 – £282.25	£292.75 - £346.26	£346.27 - £339.77

3.3 It is proposed that as of 1 April 2023 the income bands and % discounts are amended as follows, allowing a maximum discount of 100%:

#### Proposed (2023/24) Council Tax Reduction Scheme Income Levels

Band	Discount (%)	Single Person	Couple no children / young person	Couple / lone parent with one child / young person	Couple / lone parent with two or more children / young persons
1	100	£0.00 - £99.25	£0.00 - £146.58	£0.00 - £205.45	£0.00 - £263.15
2	80	£99.26 - £158.11	£146.59 – £205.45	£205.46 - £263.15	£263.16 - £322.01
3	60	£158.12 - £216.99	£205.46– £263.15	£263.16 - £322.01	£322.02 - £380.89
4	40	£217.00 - £277.00	£263.16 – £310.48	£322.02 - £380.89	£380.89 - £439.75

3.4 The loss of Council Tax income from these proposals has been estimated by WDC to be £658,000 in total per annum, of which £480,000 would fall on ESCC.

3.5 Officers from the precepting authorities have met with officers from WDC to discuss the proposals including their impact and sought to understand if there are any potential mitigations that could offset the financial impact of these proposals.

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

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

*East Sussex County Council recognises the impact that the pandemic had, and 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 in responding to day-to-day service demands and the ongoing impact of the pandemic. As we wait for the government to provide details of funding through the local government finance settlement for 2023/24, the authority's Medium Term Financial Plan (MTFP) presents a deficit position by 2025/26 of £29.7m. 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 (73% of net budget in 2022/23) and we rely on certainty of this income to enable the County Council 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 2023/24 and beyond. Any reductions in income from Wealden 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 Wealden District Council's proposals to change its LCTRS if opportunities are sought to mitigate the loss of Council Tax income, for example, in the review of the treatment of empty properties. In addition, the County Council would request that every effort is made to implement and maximise income from the Council Tax flexibilities arising from the Levelling Up and Regeneration Bill.*

*It is also requested that Wealden 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 WDC 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 opportunities are sought to mitigate the loss of Council Tax income, including the flexibilities arising from the Levelling UP and Regeneration Bill.

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LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

None