

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

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.

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
	122,457	183,950

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.

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LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

None