

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

**Date of meeting:** 1 November 2024

**By:** Chief Finance Officer

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

**Purpose:** To agree proposed response to Eastbourne Borough Council billing authority on proposed changes to their Local Council Tax Reduction Scheme 2025/26

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**RECOMMENDATION:**

**The Lead Member is recommended to approve the response to Eastbourne Borough Council, as set out on paragraph 4.1 of this report, on proposed changes to their Local Council Tax Reduction Schemes for 2025/26.**

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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 (ESFR) and the Sussex Police and Crime Commissioner (SPCC). The final decision to set or change the LCTRS rests solely with each billing authority.

1.2 Eastbourne Borough Council (EBC) are currently consulting on changes to their LCTRS for 2025/26. As a Precepting Authority, ESCC has been invited to provide a response to these proposals. The proposed changes in the scheme for 2025/26 are to increase the maximum Council Tax Reduction (CTR) available to working age adults to 100%, to remove the £5 per week minimum payment, and basing a self-employed claimant's income on their actual earnings, which will reduce the amount of council tax income the County Council will receive.

## **2 Supporting information**

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 the 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 2024/25 this is projected at £191,145. The precepting authorities will be reviewing the value for money of these contributions, given the changes in council tax reduction schemes in recent years.

	<b>2016/17 Hardship Fund (£)</b>	<b>2024/25 Staffing – Projected (£)</b>
Eastbourne	34,510	43,047
Lewes	27,585	38,088
Rother	27,740	63,134
Wealden	32,622	46,876
<b>Total</b>	<b>122,457</b>	<b>191,145</b>

### 3 LCTRS Proposed Changes

3.1 EBC are consulting on changes to their LCTRS for working age people in 2025/26. The proposed changes in the scheme for 2025/26 are to increase the working age maximum relief available to 100%, to remove the £5 per week minimum payment, and basing a self-employed claimant's income on their actual earnings. The minimum payment is where any entitlement below £5 is not currently paid.

3.2 The loss of Council Tax income from these proposals has been estimated by EBC to be £1,108,700 in total per annum. ESCC's share of this loss of council tax income would be £778,300. The impact of the proposed changes on preceptors is detailed in the table below:

<b>Impact of Changes</b>	<b>ESCC</b>	<b>EBC</b>	<b>SPCC</b>	<b>ESFR</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
100% maximum working age relief	668,100	114,700	95,600	47,800
Remove the £5 per week minimum payment	2,200	400	300	200
Removing the Minimum Income Floor	108,000	18,000	15,000	17,500
<b>All changes</b>	<b>778,300</b>	<b>133,100</b>	<b>110,900</b>	<b>65,500</b>

3.3 The ESCC Medium Term Financial Plan, considered and noted by Cabinet on 26 September 2024, projected a budget deficit of £55.3m in 2025/26, growing to £83.6m by 2027/28, while agreeing to start a public consultation on savings totalling £4.0m. EBC's proposal would increase the projected deficit to £56.1m, adding to the already challenging financial position.

### 4 Proposed Consultation Response

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

*As you will be aware, in common with all local authorities, the County Council continues to face significant financial challenges, with the Council facing a budget gap of £55.3m in 2025/26, growing to £83.6m by 2027/28, with limited reserves to draw upon. The proposal would increase the projected deficit to £56.1m in 25/26, adding to the already challenging financial position. Council Tax is the County Council's most important funding stream (65.4% of net budget in 2024/25) and we rely on certainty of this income to enable us to effectively plan services for the future.*

*We wait for the government to provide further details of funding through the Budget Statement of 30 October 2024, but the Council has been left with no choice but to seek savings to a range of services to help manage the deficit. On 26 September 2024, our Cabinet approved the launching of public consultations for a range of savings proposals: [Agenda and draft minutes for Cabinet on Thursday, 26th September, 2024, 10.00 am | East Sussex County Council](#)*

*Residents needing support often receive services from both the County Council and yourselves, with the County Council's support often being targeted to specific needs. For the Eastbourne area, there are potential impacts on older people's services at Milton Grange and learning disability services at Lindon Court, as well as proposed reductions to housing related support services that will impact vulnerable residents in Eastbourne. We continue to explore further savings options, as current plans do not bridge the gap between the cost of meeting the increasing demand for our services and the available funding.*

*East Sussex County Council (ESCC) 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. For example, ESCC continues to seek to support low-income residents via the Financial Inclusion Partnership. However, any further reduction in its council tax base will only increase the magnitude of savings required to address the budget gap, in many cases increasing the pressure on partners, including district and borough councils.*

*Should the decision be made to implement the change to the Local Council Tax Reduction Scheme, ESCC would ask EBC to seek to maximise any action that maintains, or increases, the overall Council Tax collection rates.*

## **5. Conclusion and reasons for recommendations**

5.1 EBC 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 Eastbourne area and the whole of East Sussex. The response to the consultation reflects the adverse financial impact of the proposed changes on what is already a significant financial challenge facing ESCC.

5.2 Therefore the Lead Member is recommended to approve the response to Eastbourne Borough Council, as set out in paragraph 4.1 of this report, on proposed changes to their Local Council Tax Reduction Schemes for 2025/26.

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LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

None