

**Report to:** Cabinet

**Date:** 12 February 2025

**Title:** Local Council Tax Reduction Scheme (LCTRS) 2025/26

**Report of:** Homira Javadi, Director of Finance and Performance

**Cabinet member:** Councillor Daniel Butcher, Cabinet Member for Finance

**Ward(s):** All

**Purpose of report:** To gain Cabinet's recommendation to Full Council that the 2024/25 Local Council Tax Reduction Scheme is adopted as the 2025/26 scheme.

**Decision type:** Budget and policy framework

**Officer recommendation(s):** (1) Cabinet recommend to Full Council that the 2024/25 Local Council Tax Reduction Scheme is adopted as the 2025/26 scheme.

(2) Subject to Full Council approval Cabinet grants the Chief Executive delegated authority–

- (a) to implement the Scheme, such delegated authority to include any measures necessary for or incidental to its management and administration; and
- (b) if necessary, and in accordance with paragraph 2.3, to amend the Scheme in consultation with the Cabinet Member for Finance

(3) That the Exceptional Hardship Scheme continues in 2025/26 to provide additional support to the most financially vulnerable.

(4) That a 100% LCTR scheme is adopted in 2026/27 following a consultation exercise and the outcome is known of the upcoming Local Government Funding Review.

That Cabinet with the objective of implementing a revised Local Council Tax Reduction Scheme in 2026/27:

- (a) authorise the Director of Finance and Performance to enter into consultation with the major precepting authorities
- (b) authorise the Director of Finance and Performance to produce a draft scheme that calculates a Council Tax Reduction of 100% of a person's council tax liability,

**removes the Minimum-Income Floor for the self-employed and removes the £5.00 minimum award**

**(c) on completion of the consultation and drafting authorised under (a) and (b) above, authorise the Director of Finance and Performance to consult with other interested parties.**

**Reasons for recommendations:** The Council must review the scheme each year and adopt a scheme for the coming financial year.

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## **1 Introduction**

- 1.1 The government abolished the national Council Tax Benefit scheme from April 2013 and required local authorities to develop and adopt their own scheme of support for working age claimants. This change came with a 10% cut in funding.
- 1.2 To protect pensioners from any reduction in support, the government put in place a national scheme that local authorities had to adopt. Therefore, any reduction in support had to come from those of working age.
- 1.3 On 20 November 2015 the Council adopted a revised scheme for 2016/17 that:
  - Limited a Council Tax Reduction to 80% of the council tax liability
  - Assumed a minimum income for claimants who have been self-employed for more than 12 months
- 1.4 There have not been any changes to the scheme since 2016/17 so the current 2024/25 scheme follows the principles of protecting the most vulnerable, incentivising individuals into work and takes into account the financial pressures on the Council and the major preceptors.

## **2 Local Council Tax Reduction Scheme 2024/25**

- 2.1 The scheme provides financial support to c4,000 of the most disadvantaged working-age residents with help in meeting their council tax liabilities.
- 2.2 The current cost of the scheme, in terms of a reduction in Tax base, is c£8.4m, an increase of around c£400,000 and is shared by the Council, East Sussex County Council, Sussex Police, and East Sussex Fire & Rescue in relation to their share of Council Tax.

	% share of Council Tax	Cost
East Sussex County Council	73%	£6,132,000
Eastbourne Borough Council	12%	£1,008,000
Sussex Police	10%	£840,000
East Sussex Fire and Rescue	5%	£420,000

- 2.3 Over the last two years the government has introduced various schemes of financial support. Firstly, in response to Covid-19 and more recently to address the Cost-of-Living Crisis. It would be prudent for Cabinet to grant delegated authority to the Chief Executive to make in-year changes to the scheme, subject to consultation with the Cabinet member for Finance. This is to ensure that any future financial support the government puts in place does not reduce the amount of Council Tax Reduction a resident can receive.

Should such a change prove necessary, the Council would inform all major preceptors.

### **3 Exceptional Hardship Scheme**

- 3.1 The Exceptional Hardship Payment (EHP) Scheme, funded by the Council and major preceptors, is intended to provide additional financial support to those in receipt of a Council Tax Reduction and are experiencing exceptional hardship.

- 3.2 The EHP scheme was established in April 2016 when the LCTR scheme was amended to:

- a) Limit the maximum CTR to 80% of a person's liability
- b) Apply a minimum-income floor to certain self-employed claimants
- c) Introduce a £5.00 per week minimum award below which a claimant would not receive a reduction

- 3.3 There was £8,657.28 remaining in the fund as of 06 January 2025. The Council may decide to add to this fund in the future.

- 3.4 Further discussion will take place with major preceptors to consider how wider financial support could be provided to the most financially vulnerable claimants in the next financial year.

### **4 Proposal**

- 4.1 That the Local Council Tax Reduction scheme 2024/25 is adopted as the scheme for 2025/26. A draft of the proposed scheme will be presented when the item is considered by Full Council.

- 4.2 That the Exceptional Hardship Scheme continues into 2025/26.

4.3 That the adoption of a 100% scheme for 2026/27 is further considered in 2025/26 once the impact of the upcoming Local Government funding review is known.

4.4 That the Council conduct a further statutory consultation on a 100% LCTR scheme in 2025/26 financial year. It is a legal requirement to consult on any proposed changes to the scheme for the year it is planned to introduce. The outcome of this consultation will be key in informing and potentially introducing the council's revised LCTR scheme (the 100% reduction scheme). Whilst the outcome of any consultation cannot be predetermined, the council will be working closely with other preceptors to ensure a satisfactory approach is developed and the 100% LCTR scheme is introduced in a collaborative way.

## **5 Outcome expected and performance management**

5.1 That the LCTR scheme supports those on low incomes to meet their Council Tax liabilities and that the Exceptional Hardship Scheme provides additional support to those facing exceptional hardship

5.2 The cost of the LCTR scheme and the Exceptional Hardship scheme will be monitored monthly

## **6 Consultation**

6.1 From Monday 8<sup>th</sup> July 2024 to Sunday 30<sup>th</sup> September 2024, the Council consulted over proposals to:

- Increase the maximum reduction to 100%
- Remove the minimum awards so a claimant can qualify for, and be awarded, less than £5 per week
- Base a self-employed claimant's income on their actual earnings.

The Council provided an online survey for respondents to complete to share their feedback and offered paper copies of the survey and the consultation information in different formats.

The consultation was promoted on the council website, directly by email to all of consultation mailing list subscribers, through the local media and on social media.

In addition, and to comply with statutory consultation requirements, the Council wrote to the following precepting organisations, inviting responses:

- East Sussex County Council
- East Sussex Fire and Rescue
- Sussex Police

The responses from the major precepting organisations are set out below:

### **East Sussex County Council**

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, 26<sup>th</sup> September, 2024, 10.00am 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 to seek to maximise any action that maintains, or increases, the overall Council Tax collection rates.

### **East Sussex Fire and Rescue**

East Sussex Fire Authority 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 Fire Authority continues to face significant financial challenges, with a budget gap for 2025/26 currently forecast as up to £3.7m. Any loss of income from Council Tax arising from these proposed changes would only serve to increase the financial challenge and consequently adversely impact the level of services provided to the community. Council Tax is the Authority's most important funding stream (65% of net revenue budget in 2024/25) and we rely on certainty of this income to enable us to effectively plan services for the future. The Authority will need to take into account any further reduction in the tax base

on its income when considering options for achieving a balanced budget for 2024/25 and beyond. Given this position, the Authority's view is that if Eastbourne BC decides to approve the proposed changes to its LCTRS then it must make every effort to implement and maximise income from the Council Tax flexibilities arising from the Levelling Up and Regeneration Act 2023. It is also requested that Eastbourne BC provides the Authority, with regular monitoring data that provides evidence of the actual impact of such changes.

## **Sussex Police**

Thank you for asking for my response to Eastbourne Borough Council's consultation on proposed changes to the Local Council Tax Reduction Scheme (LCTRS) for 2025/26. The potential increase in the police precept cost – up to £111,000 per year (a 21% jump) – is significant and represents a further financial burden. While I understand the Council's duty to support low-income households, the extra costs associated with the LCTRS shouldn't place an undue burden on essential services like policing.

Thank you for providing the additional information about the Council's proactive measures to improve collection rates and yield that were agreed earlier in the year. The implementation of premiums on empty and second homes from 2025/26 is a valuable step towards offsetting costs and the additional revenue generated from these measures is anticipated to exceed the cost of supporting the proposed changes to the Council Tax Reduction Scheme. The Council's regular review of the Single Person Discount scheme that helps to ensure that only eligible individuals receive the discount is commended.

6.2 In conclusion, I support the proposed changes to the Eastbourne Borough Council Local Council Tax Reduction Scheme 2025/26. The Council's proactive approach within the council tax system effectively balances the need to support vulnerable residents with the financial demands on public services.

6.3 Cabinet must take into account of responses to the consultation before deciding whether to recommend the revised LCTRS to full Council.

The consultation report is at Appendix 1.

## **7 Corporate plan and Council policies**

7.1 The Local Council Tax Reduction Scheme supports the Council's objective of addressing deprivation through helping residents on a low income meet their council tax liabilities.

## **8 Business case and alternative option(s) considered**

8.1 No alternatives considered as it is a statutory requirement to have in place a Local Council Tax Reduction Scheme.

## **9 Financial appraisal**

- 9.1 The Council Tax Reduction Scheme reduces the Council Tax base and thereby the amount of Council Tax that can be collected. The total cost of the scheme is shared through the collection fund between the Council and preceptors. The recommendation in this report is to leave the scheme unchanged and might not have an immediate impact on the Council Tax collected by the Council.
- 9.2 The cost, in terms of a reduction in tax base regarding the 2025/26 scheme will be in the region of £8.8m (2024/25 cost will be in the region of £8.4m). The actual cost of the scheme for 2024/25 will not be known for certain until the end of the financial year and will be dependent on the actual caseload in year as well as the levels of Council Tax set by the Council and the major precepting authorities.

## **10 Legal implications**

- 10.1 The Council is required by the Local Government Finance Act 1992 (Schedule 1A, paragraph 5) to consider, for each year, whether to revise its council tax reduction scheme or to replace it with another scheme. It is open to the Council to decide to make no changes to the scheme from one financial year to the next.
- 10.2 Under section 67 of the 1992 Act, adoption of a Council Tax Reduction Scheme is reserved to full Council. The role of Cabinet is to consider the proposed revised scheme and make a recommendation to Council.
- 10.3 In relation to the scheme for 2025/26, the statutory basis for a billing authority's LCTR scheme is provided by section 13A of the 1992 Act; and the statutory basis for consulting over revisions to such a scheme is provided by Schedule 1A to the same Act.

## **11 Risk management implications**

- 11.1 The main risk to the Council is that the cost of the scheme rises substantially. This could happen if there is an upturn in the number of people who become eligible for, and claim, CTR. This risk must be accepted as the Council has no mechanism to prevent this happening.

## **12 Equality analysis**

- 12.1 Equality Analysis as one was carried out when the scheme was originally implemented, a new Equality & Fairness Analysis will be compiled in 2025/26 based on consultation that took place in 2024/25. It remains the case that working age people would benefit from the proposed changes, promoting greater equality throughout age groups, with those adversely impacted financially through the cost-of-living crisis potentially eligible for this financial relief, albeit not immediately.

## **13 Environmental sustainability implications**

- 13.1 There are no sustainability implications arising from this report.

## **14 Appendices**

- Consultation document – Appendix 1
- Draft Scheme for 2025/26 – Appendix 2

## **15 Background papers**

The background papers used in compiling this report were as follows:

- None