

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

**Date of meeting:** 1 October 2021

**By:** Chief Operating Officer

**Title:** Local Council Tax Reduction Scheme – Consultation Responses

**Purpose:** To agree the response to consultations by local billing authorities on proposed changes to their Local Council Tax Reduction Scheme 2022/23

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**RECOMMENDATION:** The Lead Member is recommended to approve the responses to the consultation by local billing authorities on proposed changes to their Local Council Tax Reduction Schemes for 2022/23.

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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, 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 Both Lewes and Rother District Councils are consulting on changes to their LCTRS for 2022/23.

## 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 Changes to LCTRS in East Sussex have been managed broadly collectively in the past as all the districts and boroughs (except Hastings BC) have adopted a largely common scheme and this has been supported and developed via East Sussex Chief Executives Group (ESCEG) and East Sussex Finance Officers Association (ESFOA)

2.3 As part of a review of LCTRS conducted jointly through the ESCEG and ESFOA 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 did not participate); for 2020/21 this amounted to £184,582. The operation of these arrangements is due to be reviewed this year.

	Hardship Fund (£)	20/21 Staffing (£)
Eastbourne	34,510	43,047
Lewes	27,585	38,088
Rother	27,740	54,677
Wealden	32,622	48,770
	<b>122,457</b>	<b>184,582</b>

2.4 The current council tax collection rates for our billing authorities along with national averages for the last two financial years is set out in the table below:

	2019/20	2020/21
Eastbourne	96.5%	95.9%
Hastings	94.6%	93.3%
Lewes	97.3%	96.9%
Rother	98.2%	96.8%
Wealden	98.1%	96.1%
Shire average	97.7%	96.9%
All England average	96.8%	95.7%

### 3 LCRTS Proposed Changes

3.1 The current information from billing authorities in terms of proposals for changes to LCTRSs for 2022/23 is as follows:

- Eastbourne BC – no changes proposed
- Hastings BC – no changes proposed
- Lewes DC – changes proposed (see below)
- Rother DC – changes proposed (see below)
- Wealden DC – no changes proposed.

3.2 **Lewes District Council's Cabinet** approved the following proposals for consultation, at its meeting in June 2021:

- increasing the maximum award from 80% to 100% of a person's council tax liability
- removing the application of a minimum-income floor for the self-employed
- removing the £5.00 per week minimum award

3.3 The loss of Council Tax income from these proposals has been modelled by LDC below:

	LDC	ESCC	Police	Fire	T&P	Total
100% maximum reduction	£92,593	<b>£657,366</b>	£88,301	£42,239	£50,351	£930,850
No minimum award	£198	<b>£1,398</b>	£187	£89	£107	£1,979

Removal of the Minimum Income Floor	£19,860	<b>£141,340</b>	£18,940	£9,060	£10,800	£200,000
Total	£112,651	<b>£800,104</b>	£107,428	£51,388	£61,258	£1,132,829

3.4 The estimated loss of income should the proposals be agreed is significant at £1.1m, of which the largest loss of income will fall on ESCC. Whilst the economic impact of Covid-19 on communities cannot be underestimated, the risk is that the loss of income on this scale, in an already uncertain funding environment, will result in affected authorities having to consider further reductions in the services they provide. The Council's Medium Term Financial Plan (MTFP), as presented to Cabinet in the July 2021 State of the County report shows a deficit of £18.415m. The proposed loss of income is an annual impact and would thereby result in the loss of Council Tax income over the 3 year term of the MTFP of £2.4m, which is in addition to the current MTFP deficit.

3.5 The most significant change from a financial perspective is the increase in the maximum reduction from 80% to 100%.

- It is understood that the measure is intended to address the impact of Covid-19 on low income working age adults – however there is no indication that the measure will be temporary and reviewed as the local economy recovers to pre-Covid levels
- Locally the highest levels of maximum reduction are Brighton & Hove at 82% and Hastings at 100%
- It is understood that around 70 out of 309 billing authorities (c23%) in England have moved to 100% maximum reduction

There is a risk that if Lewes DC agrees these changes that other local billing authorities may consider following suit increasing the financial impact.

3.6 During the pandemic the Government gave authorities grant funding to support council tax hardship, recognising in particular the impact on working age adults and the potential impact on LCTRS. For East Sussex authorities, the allocations were:

<b>Council Tax Hardship Grant</b>	<b>£</b>
Eastbourne	918,455
Hastings	1,281,991
Lewes	816,500
Rother	650,824
Wealden	689,705
	<b>4,357,475</b>

Whilst the impact of the pandemic in the long term is yet to be realised or understood, this funding goes some way to meeting the needs of working age adults.

3.7 Officers from the precepting authorities have met with officers from Lewes DC to discuss the proposals and their impact and sought to understand if there are any potential mitigations that could offset the financial impact of these proposals. The following information has been provided:

- **Impact on Council Tax Collection** - If the minimum award is increased from 80% to 100% the collection rate would be expected to increase, and LDC expects this to be between 97.5 – 98% if

*underlying rates return to pre Covid-19 level. By increasing the level of Council Tax Reduction it will reduce the cost and time associated with collecting small balances. This would enable the additional resource currently funded by the main preceptors to focus on activity to sustain and grow the Tax Base in the future. For example, this could be by extending the remit to undertake single person discount reviews for working age claimants in receipt of Council Tax reduction.*

- **Impact of changes to pension-age caseload** - The pension-age caseload is reducing by around 100 cases a year. The average award in 2021/22 is c£1,300 pa. If the reduction in caseload continues at the current rate this would reduce the overall cost of the scheme by c£130,000

Whilst these factors may well offset the financial impact of the proposals, they will only do so to a limited degree.

### 3.8 Rother District Council is proposing to make changes to its LTRS as follows:

The minimum income floor affects those claimants who are currently self-employed. Financial support is given for a start-up period of one year after which it would be assumed that the claimant is achieving a minimum level of income when assessing CTR. This would be based on 35 hours multiplied by the National Minimum Wage and this is in line with the approach taken under Universal Credit.

Rother DC proposes to amend the Minimum Income Floor as follows:

- For self-employed applicants with caring responsibilities for a vulnerable person (excluding care for dependent children) the Council will have the discretion to reduce the assumed hours worked from 35 per week to take into account the care and support being provided.
- For self-employed applicants who are lone parents, the income from self- employment will be calculated using the greater of either their actual income taken from their profit and loss accounts or 16 hours at the national living wage.
- For self-employed applicants who also undertake PAYE employment the Council will have discretion to use the number of self-employed hours at the national living wage that, when combined with the hours worked during the PAYE employment, does not exceed 35 hours per week.
- For self-employed applicants in receipt of a disability benefit, the income from self-employment will be calculated using the greater of either their actual income taken from their profit and loss accounts or 16 hours at the national living wage.

Rother DC is unable to accurately assess the number of potential claimants (as currently they are unlikely to qualify for help) but it is not expected to be significant and the loss of income will be minor.

## 4 Proposed Consultation Responses

### 4.1 Lewes District Council:

ultimately the decision to approve the proposed changes to its LTRS rests with LDC, however it is suggested that ESCC makes the following response:

*East Sussex County Council recognises the impact that the Covid-19 pandemic has had 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 a multi-year financial settlement through the Spending Review 2021, plus the implications of the recently announced Adult Social Care Levy as the potential solution to the challenges faced by Adult Social Care, the authority's Medium Term Financial Plan (MTFP) presents a deficit position by 2024/25 of £18.4m. Any loss of income from Council Tax arising from these proposed changes would only serve to increase the deficit, over the 3 year term of the*

*MTFP by a further £2.4m, and consequently the potential need to make significant new savings to bridge the funding gap.*

*Council Tax is the County Council's most important funding stream (74% of net budget in 2021/22) 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 2022/23 and beyond. Any reductions in income from Lewes 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.*

*To add context, the projected income loss of £800,000 would fund:*

- 16-20 social workers in Children's Services, that support 280-350 of the most vulnerable children, or
- Specialist residential care for 4 children for a whole year, or
- 30 long term care home placements for older people, or
- 70 long term homecare placements to help older people maintain their independence, or
- The running costs of Lewes Library for over 2 years, or
- The filling of 20,000 potholes across the county

*In conclusion, East Sussex County Council cannot support Lewes District Council's proposals to change its LCTRS which will lead to a permanent and significant reduction in its income from council tax.*

**4.2 Rother District Council:** ultimately the decision to approve the proposed changes to its LCTRS rests with RDC, however it is suggested that ESCC makes the following response:

*East Sussex County Council recognises the impact that the Covid-19 pandemic has had 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 a multi-year financial settlement through the Spending Review 2021, plus the implications of the recently announced Adult Social Care Levy as the potential solution to the challenges faced by Adult Social Care, the authority's Medium Term Financial Plan (MTFP) presents a deficit position by 2024/25 of £18.4m. Any loss of income from Council Tax arising from these proposed changes would only serve to increase the deficit and consequently the potential need to make significant new savings to bridge the funding gap.*

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*Although only a minor change to the existing LCTRS, little information has been presented for the authority to fully understand the impact, other than it will reduce the income received. On this basis, East Sussex County Council cannot support Rother District Council's proposals to change its LCTRS which could lead to a permanent reduction in its income from council tax.*

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

5.1 Lewes and Rother District Councils 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 each 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 responses to the consultations reflect the negative impacts and recommends not supporting the proposed amendments to the LCTRS.

### **PHIL HALL**

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### LOCAL MEMBERS

All

### BACKGROUND DOCUMENTS

None