

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	Fire Authority
Date	2 September 2021
Title of Report	Local Council Tax reduction Schemes (LCTRS) – Consultation on proposed changes for 2022/23
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Background Papers None

Appendices None

Implications

CORPORATE RISK	✓	LEGAL	
ENVIRONMENTAL		POLICY	
FINANCIAL	✓	POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	

PURPOSE OF REPORT To agree the Authority's response to consultations by local billing authorities on proposed changes to their Local Council Tax Reduction Schemes for 2022/23

EXECUTIVE SUMMARY 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 but the decision to set or change a LCTRS rests solely with each billing authority.

Lewes and Rother District Councils are consulting on changes to their LCTRS for 2022/23. Confirmation is awaited from Brighton & Hove City Council as to whether it plans to consult on any changes to its LCTRS.

The report sets out the financial impact of the proposed changes and recommends an Authority response to the consultations.

RECOMMENDATION

The Authority is recommended to:

- (i) Note the proposed changes to LCTRSs
 - (ii) Approve the Authority's responses to the consultations as set out in paragraphs 1.11 and 1.13
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1. INTRODUCTION

- 1.1 Under the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 the administration of and funding for discounts for council tax for those on the lowest incomes was localised from 1 April 2013. The financial impact of Local Council Tax Reduction Schemes (LCTRS) is to reduce the council taxbase and thus the income derived from council tax. Whilst LCTRSs are administered by billing authorities the cost falls also on precepting authorities include the Fire Authority.
- 1.2 Billing authorities are required to review their LCTRS annually and to consult publicly on any proposed changes. Precepting authorities are statutory consultees in this process but the decision to set or change a LCTRS rests solely with each billing authority. Central government has protected pensioners from changes in their council tax reductions which means that any proposed changes will only affect working age adults.
- 1.3 Changes to LCTRS Schemes in East Sussex (excluding BHCC) have been managed broadly collectively in the past as all the districts & boroughs (except Hastings) have adopted a common scheme and this has been developed via East Sussex Finance Officers Association (ESFOA) and East Sussex Chief Execs Group (ESCEG). Brighton & Hove City Council (BHCC) has periodically consulted on changes to its LCTRS but these have generally resulted either in reductions in the scheme cost (i.e. increases in the taxbase) or marginal increases.
- 1.4 As part of a review of LCTRS conducted jointly through the East Sussex Chief Executives and East Sussex Finance Officer's Groups 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. This Authority made a one off contribution of £8,652 to the Hardship Fund in 2016/17 and has made an annual contribution of approximately £13,000 towards staffing costs at the four East Sussex billing authorities which agreed to the Scheme (Hastings did not participate). The operation of these arrangements is due to be reviewed this year.
- 1.5 The current council tax collection rates for our billing authorities along with national averages for the last two financial years is set out in Table 1 below:

Table 1 – Council Tax Collection Performance

	2019/20	2020/21
Brighton & Hove	96.4%	94.9%
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%
Unitary average	96.6%	95.8%
Shire average	97.7%	96.9%
All England average	96.8%	95.7%

Source:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/995741/Table_6_2020-21.xlsx

2. **PROPOSED CHANGES FOR 2022/23**

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

- Brighton & Hove – awaiting confirmation
- Eastbourne – no changes proposed
- Hastings – no changes proposed
- Lewes – changes proposed (see below)
- Rother – changes proposed (see below)
- Wealden – no changes proposed.

Lewes DC

1.6 LDC’s cabinet proposals are to consider:

- increasing the maximum award 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

1.7 The financial implications of these proposals are set out in Table 2 below:

Table 2 – LDC LCTRS Proposals estimated financial impact

	LDC	ESCC	Police	Fire	T&P	Total
100% maximum reduction	£92,593	£657,366	£88,301	£42,239	£50,351	£930,850
No minimum award	£198	£1,398	£187	£89	£107	£1,979
Removal of the Minimum Income Floor	£19,860	£141,340	£18,940	£9,060	£10,800	£200,000
Total	£112,651	£800,104	£107,428	£51,388	£61,258	£1,132,829

1.8 The loss of income should the proposal be agreed is significant at £1.1m with the greatest impact being on the County Council. The impact on this Authority is £51,388. Whilst the economic impact of Covid-19 on the communities we serve is understood 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. Often those services are supporting the most vulnerable in our communities. Elsewhere on this Agenda the Authority's revised Medium Term Financial Plan indicates that additional savings of up to £4.6m (worst case scenario) may be required to balance the budget over the next five year period. This is in addition to £10.5m savings already delivered or planned since 2010.

1.9 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 LDC agrees this change that other local billing authorities may consider following suit increasing the financial impact

1.10 Officers from the precepting authorities have met with counterparts at LDC 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 additional 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 will offset the financial impact of the proposals, they will only do so to a limited degree.

1.11 Ultimately the decision to approve the proposed changes to its LCTRS rests with LDC, however it is suggested that the Authority makes the following response:

East Sussex Fire Authority 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 keenly aware, in common with other local authorities the Fire Authority already faces significant financial challenges due both to reductions in Government funding and the impact of Covid-19. Our current Medium Term Finance Plan identifies the potential need to make new savings of up to £2.5m over the next 5 years, in addition to £10.5m already delivered or planned.

Council Tax is our most important funding stream (70% in 2021/22). The Authority will need to take account of any further reduction in council taxbase on its income when considering options for achieving a balanced budget for 2022/23 and beyond. Given the scale of the financial challenge, which cannot be met by efficiencies alone, this may mean that the Authority has to revisit its Integrated Risk Management Plan 2020-25 and consider further changes to the service it provides across the communities of East Sussex and Brighton & Hove, including those who are most vulnerable.

On this basis the Fire Authority cannot support Lewes DC's proposals to change its LCTRS which will lead to a permanent and significant reduction in its income from council tax.

Rother DC

1.12 Rother DC is proposing to make changes to its LCTRS 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.

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The Fire Authority notes that the proposed changes to Rother DC's LCTRS are expected to result in only a minor reduction in income from council tax and improve the equity of the scheme. On this basis the Fire Authority would not oppose the proposed changes.