

## EAST SUSSEX FIRE AUTHORITY

<b>Meeting</b>	Policy & Resources Panel
<b>Date</b>	11 November 2021
<b>Title of Report</b>	Local Council Tax Reduction Schemes (LCTRS) – Consultation on Proposed Changes for 2022/23
<b>By</b>	Duncan Savage, Assistant Director Resources / Treasurer
<b>Lead Officer</b>	Duncan Savage, Assistant Director Resources / Treasurer

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<b>Background Papers</b>	Local Council Tax Reduction Schemes (LCTRS) – Consultation on proposed changes for 2022/23 – Fire Authority 2 September 2021
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<b>Appendices</b>	None
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### Implications

<b>CORPORATE RISK</b>	✓	<b>LEGAL</b>	
<b>ENVIRONMENTAL</b>		<b>POLICY</b>	
<b>FINANCIAL</b>	✓	<b>POLITICAL</b>	
<b>HEALTH &amp; SAFETY</b>		<b>OTHER (please specify)</b>	
<b>HUMAN RESOURCES</b>		<b>CORE BRIEF</b>	

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<b>PURPOSE OF REPORT</b>	To agree the Authority's response to a consultation by Brighton & Hove City Council on proposed changes to its Local Council Tax Reduction Scheme for 2022/23
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<b>EXECUTIVE SUMMARY</b>	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.
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The Authority's response to proposals by Lewes and Rother District Councils for changes to their LCTRS for 2022/23 was agreed at the Fire Authority meeting on 2 September 2021.

This paper considers proposals by Brighton & Hove City Council (BHCC) to make changes to its LCTRS for 2022/23.

The report sets out the financial impact of the proposed changes and the Authority to consider its response to the consultation.

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**RECOMMENDATION**

The Authority is recommended to:

- i. Note the proposed changes to BHCC's LCTRS; and
- ii. Consider the Authority's response to the consultation as set out in paragraphs 1.14.

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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 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:

1.5 Table 1 – Council Tax Collection Performance

	<b>2019/20</b>	<b>2020/21</b>
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](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 – changes proposed (see below)
- Eastbourne – no changes proposed
- Hastings – no changes proposed
- Lewes – response agreed 2 September 2021
- Rother – response agreed 2 September 2021
- Wealden – no changes proposed.

### 2.2 ***BHCC Proposals***

BHCC's proposals are to consider:

- Moving to an earnings bracket approach for those claimants now in receipt of universal credit which will simplify the system and reduce the need for frequent recalculations to individual's CTR every time their income / UC changes
- Adjusting the level of support offered to make the tapering effect less abrupt as an individual's income rises
- Moving to a standard non-dependent deduction of £8 per week, or alternatively removing the non-dependent deduction completely
- The proposals do not change the level of the maximum award from the current 82% of a person's council tax liability

2.3 These proposals are in line with BHCC policy to seek options to make the scheme more generous and align it with changes in the overall welfare system.

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

Table 2 – BHCC LCTRS Proposals estimated financial impact

	BHCC	Police	Fire	Total
Move to earning bracket approach	£305,286	£37,647	£17,067	£360,000
Remove non-dependent deduction	£67,841	£8,366	£3,793	£80,000
Total	£373,127	£46,013	£20,860	£440,000

2.5 The loss of income should the proposals be agreed in full is significant at £0.440m with the greatest impact being on BHCC. The impact on this Authority is £20,860 if the proposals are adopted in full (£17,067 if the non-dependent deduction is set at £8).

2.6 The introduction of Universal Credit (UC) has impacted on the efficacy of BHCC's current LCTRS. Monthly changes to UC mean that CTR must be recalculated and bills re-issued / direct debits changed. This administrative burden is equivalent to a cost of £0.250m per annum. At the same time the Government is reducing its funding to BHCC for benefits administration by £0.100m - £0.130m per annum as UC is rolled out. We understand that approximately 70 other councils have moved to a banding scheme with aim of simplifying, aligning with UC and reducing administrative costs.

2.7 Rather than moving to a banding scheme which is cost neutral the proposals consider providing additional support with earnings bands aligned to varying levels of CTR as shown in the table below. It would be possible to reduce the cost of the scheme by adjusting the bands and the level of CTR however that would not meet BHCC's policy commitment to improve the level of support.

Earnings per week (£)	Amount of bill to pay
0.00 – 0.00	18%
0.01 – 69.99	20%
70.00 – 99.99	40%
100.00 – 119.99	60%
120.00 – 169.99	80%
170.00 – 249.99	90%
250.00	100%

2.8 BHCC also proposes to set a flat rate of £8 for non-dependent deduction to the cost of which is included in the move to an earning bracket approach. A further option is to remove the non-dependent deduction completely which would increase the cost of the scheme by a further £80,000.

2.9 Officers have corresponded and met with officers from BHCC to understand and explore the impact of the proposals. The following additional information is provided to assist the Panel in considering its position:

- BHCC expects its council tax collection rate to return to pre-Covid levels in 2022/23 – there is the potential that the proposals if adopted could increase the collection rate further and reduce the cost of recovery however the impact remains unquantified at this stage
- The latest forecast for BHCC's council taxbase growth for 2022/23 is 1.96% or 1.77% should the LCTRS proposals be adopted – this includes assumptions regarding the reduction in claimant levels post-Covid
- BHCC provides a Hardship Fund to support those who struggle to pay council tax even under the LCTRS – this is funded by BHCC only

- It is understood that public consultation on the proposals has resulted in approximately 75% support
- There is the potential that BHCC will propose further changes to LCTRS in future years in line with its policy to make the scheme more generous which could lead to the cost of the scheme improving

2.10 The risk is that the loss of income, 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. 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.

2.11 Ultimately the decision to approve the proposed changes to its LCTRS rests with BHCC, 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 £4.6m 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 BHCC's proposals to change its LCTRS which will lead to a permanent reduction in its income from council tax.*