

<b>Report to:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>9 December 2021</b>
<b>Title:</b>	<b>Local Council Tax Reduction Scheme for the Working Age 2022/23</b>
<b>Report of:</b>	<b>Tim Whelan, Director of Service Delivery</b>
<b>Cabinet member:</b>	<b>Councillor Zoe Nicholson, Leader of the Council, Cabinet Member for Finance and Assets</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>For Cabinet to consider, and recommend to Council for adoption, a revised Local Council Tax Reduction Scheme for 2022/23 and continuation of the existing Exceptional Hardship Scheme.</b>
<b>Decision type:</b>	<b>Budget and policy framework</b>
<b>Officer recommendation(s):</b>	<p><b>(1) That Cabinet recommends to Full Council the revised LCTR Scheme for the working age for 2022/23, comprising the features proposed at paragraph 2.1 of this report</b></p> <p><b>(2) That the Exceptional Hardship Scheme continues in 2022/23</b></p>
<b>Reasons for recommendations:</b>	<p><b>1) The proposed changes provide more financial support to some of the most financially challenged residents and supports the Corporate goal of ‘A fairer council tax for those on lowest incomes’.</b></p> <p><b>2) The Exceptional Hardship Scheme provides additional support to those who are in receipt of a Council Tax Reduction but are suffering exceptional hardship</b></p>
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## **1 Introduction**

- 1.1** A report was presented to Cabinet on 10 June 2021 to advise Members of the statutory consultation process the Council need to follow in order the make changes to the current Local Council Tax Reduction scheme

- 1.2 The recommendations contained in the report were:
- (1) That cabinet authorise the Chief Finance Officer to enter into consultation with the major precepting authorities
  - (2) That cabinet authorise the drafting of a 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
  - (3) That following recommendations (1) and (2) the Director of Service Delivery consults with other interested parties.
- 1.3 The above recommendations were authorised by Cabinet with the objective of implementing a revised Local Council Tax Reduction Scheme 2022/23.
- 1.4 The current Local Council Tax Reduction (LCTR) Scheme for the working-age has been in place since April 2016 and has the following features:
- a) Calculates LCTR on 80% of a claimant's council tax liability
  - b) Applies a minimum-income floor to certain self-employed claimants
  - c) Has a minimum award of £5.00 per week such that a claimant qualifying for less than £5.00 per week does not receive any LCTR
- 1.5 The current year LCTR Scheme has the following features:
- d) Calculates LCTR on 80% of a claimant's council tax liability
  - e) Applies a minimum-income floor to certain self-employed claimants
  - f) Has a minimum award of £5.00 per week such that a claimant qualifying for less than £5.00 per week does not receive any LCTR
- 1.6 The government sets the scheme for those of pension age.
- 1.7 It is important to note that the LCTR Scheme is a discount scheme not a benefits scheme. It acts in the same way as other council tax discounts in reducing the amount of council tax a recipient must pay, reducing the tax base and, therefore, the amount of council tax that can be collected.

## **2 Proposal**

- 2.1 The proposals under consideration for 2022/23 are to:
- a) Calculate LCTR on 100% of a claimant's council tax liability
  - b) Not apply the minimum-income floor to self-employed claimants
  - c) Not have a minimum award below which a claimant does not receive a reduction
- 2.2 Continue with the Exceptional Hardship Payment Scheme into 2022/23.

### 3 Local Council Tax Reduction Schemes

- 3.1 In relation to the 2021/22 LCTR Scheme, there are currently c3,200 working age recipients of LCTR at a cost, in terms of council tax foregone, of c£3.4m and 2,700 pension age recipients at a cost of c£3.6m.

The cost, in terms of council tax foregone, is met by the Council and preceptors in proportion to their share of council tax as set out in the table below.

	% share of Council Tax	cost
East Sussex County Council	70.67%	£4,946,900
Lewes District Council	9.93%	£695,100
Town and Parish Council	5.40%	£378,000
Police	9.47%	£662,900
East Sussex Fire and Rescue	4.53%	£317,100

- 3.2 A revised working-age scheme based on 100% liability, no minimum-income floor and no minimum award would, at the current levels of council tax, reduce the amount of council tax to be collected by c£1.34m.

Within the £1.4m we have estimated the cost of changes to the self-employed to be £200,000.

The additional cost would be met by the Council and preceptors as set out in the table below:

	% share of Council Tax	Cost
East Sussex County Council	70.67%	£1,004,117
Lewes District Council	9.93%	£141,090
Town and Parish Council	5.40%	£76,726
Police	9.47%	£134,554
East Sussex Fire and Rescue	4.53%	£64,364

- 3.3 The impact on the major preceptors, Town and Parish Councils as a percentage of their share of the collectible debit, and based on a 97% council tax collection rate is set out in the tables below.

	Precept 2021/22	Precept 2022/23 reduction based on 2021/22 band D	% reduction
East Sussex County Council	£56,683,870	£817,097	1.42%
Police	£7,889,647	£113,729	1.42%
East Sussex Fire and Rescue	£3,576,792	£51,559	1.42%

### 3.4

Town and Parish Councils	Precept 2021/22 (excl special expenses)	Precept 2022/23 reduction based on 2021/22 band D	% reduction
Barcombe	£31,872	£337	1.05%
Chailey	£68,388	£687	0.93%
Ditchling	£98,905	£248	0.25%
East Chiltington	£7,411	£73	0.95%
Falmer	£500	£16	3.12%
Firle	£10,046	£66	0.65%
Glynde & Beddingham	£11,508	£100	0.88%
Hamsey	£18,213	£257	1.37%
Iford	£250	£4	1.65%
Kingston	£50,000	£191	0.38%
Lewes	£1,213,829	£19,844	1.62%
Newhaven	£540,118	£14,869	3.08%
Newick	£68,196	£440	0.64%
Peacehaven	£640,705	£13,510	2.09%
Piddinghoe	£10,967	£26	0.24%
Plumpton	£62,172	£338	0.53%
Ringmer	£130,924	£1,401	1.02%
Rodmell	£14,800	£83	0.56%
St Anne Without	£0.00	£0.00	0.00%
St John Without	£0.00	£0.00	0.00%
Seaford	£984,150	£10,142	1.03%
Southeast	£0.00	£0.00	0.00%
South Heighton	£12,996	£681	5.19%
Streat	£4,265	£27	0.58%
Tarring Neville	£0.00	£0.00	0.00%
Telscombe	£248,733	£2,287	0.91%
Westmeston	£13,000	£0.00	0.00%
Wivelsfield	£101,158	£825	0.79%

3.5 A copy of the proposed scheme for the working age is attached at Appendix 1

## **4 Exceptional Hardship Payment Scheme**

4.1 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.

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

There was £29,837.21 remaining in the fund as at 30 September 2021. The Council may decide to add to this fund.

## **5 Outcome Expected and Performance Management**

5.1 The proposed scheme will support the Council's Corporate goal of a 'Fairer Council Tax for those on lowest incomes.'

It will increase financial support for the current c3,200 working age recipients of LCTR and mean that c495 households may qualify for support who currently do not.

Expenditure on the scheme will be monitored on a regular basis and any major variances from the expected cost will be reported to senior management.

## **6 Consultation**

6.1 From Monday 2 August 2021 to Sunday 31 October 2021, 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 and languages.

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.

The consultation was also discussed on the LDC Leader's 'Facebook live' Q&A sessions on multiple occasions.

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
- Town and Parish Councils in the Lewes district

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

### **East Sussex County Council**

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.

### **Sussex Police and Crime Commissioner**

Thank you for the opportunity to comment on your proposed changes to the Lewes District Council Local Council Tax Reduction Scheme which are as follows:

- Increasing the maximum award from 80% to 100% of a claimants Council Tax Liability
- Removing the rule that means a claimant who qualifies for less than £5.00 per week does not receive any reduction.
- Removing the Minimum-Income Floor rules for certain self-employed claimants and instead basing entitlement on actual earnings.

The Police and Crime Commissioner for Sussex (PCC) has reviewed the proposed changes to your LCTRS. The PCC recognises the impact that the Covid-19 pandemic has had on local communities, particularly, those who are vulnerable, both financially and for other reasons over the last 18 months. The PCC also noted that the emergency government funding that was provided in both financial years has cushioned some of the financial impacts on individuals.

As you will be aware, in common with other local authorities the Sussex Police Fund already faces significant financial challenges due both to limits in Government funding and the impact of Covid-19 and the subsequent inflationary and other cost pressures. My current Medium Term Finance Plan identifies the potential need to make further savings of up to £28m to 2025, this in addition to £109m savings already delivered. Council Tax is an important funding stream for policing in Sussex (41% of the net budget is funded by council tax in 2021/22). The proposed change to LCTRS as described will lead to a permanent reduction in our council tax income from Lewes District by a further £107,000 bringing the total support your LCTRS of £779,000. To put this into perspective £1 on the current tax base of Sussex creates receipts of £627,000 for the PCC.

The PCC and Sussex Police will need to take account of any further reduction in the council tax-base and the resulting 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 would mean that the PCC will be unable to pass the resources to the Chief Constable for the policing of our local communities.

The PCC would also remind your members of the financial contributions that have been made in support of LCTRS which consisted of a one-off contribution of £14,637 to the Council Tax Hardship Fund in 2016/17 and an annual contribution of £111,316 towards staffing costs at four East Sussex billing authorities, including LDC.

On this basis the PCC does not support Lewes DC's proposals to change its LCTRS as described which will lead to a permanent reduction in our income.

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

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.

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

The consultation process has identified that whilst the major preceptors do not support the proposal, responses from the public consultation are 67% in favour of the proposal that support for the working-age should be based on 100% of their council tax liability.

It is understandable why the major preceptors have taken this view, as the increased cost of a revised scheme represents a c1.5% reduction in the amount of council tax income they are likely to receive.

However, the current economic climate, with inflation running at 4.2%, which is well above the Bank of England's target of 2%, a likely rise in council tax for 2022/23 and huge increases in the cost of fuel, has placed increasing pressure on the already stretched finances of some of the most vulnerable of the Council's residents.

In view of this, Cabinet may consider that the need to provide eligible residents in the Lewes district with a 100% reduction in their council tax liability outweighs the adverse effect on the major preceptors' income. If that is the case, Cabinet

would be advised to recommend to Full Council that the revised scheme for 2022/23 is adopted.

6.3 The consultation report is at Appendix 2

## **7 Corporate plan and council policies**

7.1 The proposed changes, if adopted, will support the Council's goal of 'A fairer council tax for those on lowest incomes'.

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

8.1 No alternative options considered.

## **9 Financial appraisal**

9.1 The Local Council Tax Reduction Scheme has an impact on the Council Tax base as it reduces the amount of Council Tax billed to eligible households.

9.2 The cost, in terms of a reduction in tax base, of the 2022/23 scheme will be in the region of £8.3m. The actual cost of the discount scheme for 2022/23 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.

The 1992 Act also specifies that where a billing authority is proposing to revise its LCTR Scheme for the following financial year, it must, before making the revised scheme, and in the following order–

- (a) consult any major precepting authority which has power to issue a precept to it,
- (b) publish a draft scheme in such manner as it thinks fit, and
- (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

Requirements (a) and (c) have been met through the consultation exercise conducted from 2 August to October 2021.

Requirement (b) was met through the Council publishing its draft scheme on the Council's website on 2 August 2021.

In deciding whether to propose to full Council a revised LCTR Scheme for 2022/23, Cabinet must take into account the responses given to the consultation conducted over the three-month period referred to at 6.1 above.

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.

*Lawyer consulted 10.11.12*

*Legal ref: 010133-LDC-OD*

## **11 Risk management implications**

- 11.1 The forecasted increase in cost of the proposed new scheme is based on current caseload levels and council tax levels. An increase in caseload will increase the cost of the scheme.

The preceptors contribute, in proportion to their share of council tax, to 2.5FTE posts in the Customer First Resolution Income maximisation and Welfare team that deal with council tax administration and collection. This contribution has been in place since 2016 when the 80% maximum award was introduced. The additional 2.5 posts were to assist in the collection of council tax from people who may not have had to pay anything towards their council tax in the past and to administer the Exceptional Hardship scheme. Should the scheme revert to a 100% scheme it is likely the preceptors will withdraw their financial support for the 2.5 posts.

## **12 Equality analysis**

- 12.1 An equality impact assessment has been carried out and is in the background papers. The assessment found that the proposed changes would have a positive impact on those of working age and would bring the scheme in line with the scheme for pensioners.

## **13 Environmental sustainability implications**

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

## **14 Contribution to Community Wealth Building**

- 14.1 Reducing the amount of Council Tax that the most financially challenged have to pay increases their disposable income which could be spent on goods and services in the local area thus increasing employment opportunities and contribute to business growth.

## **15 Appendices**

- Appendix 1 – Draft Working age LCTR Scheme 2022/23
- Appendix 2 – Consultation Report

## **16 Background papers**

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

- Equality Impact Assessment