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Rob Cottrill,  
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Our Ref  
BS/vf/CTR

Your Ref  
SEP

Date  
14 September 2015

Dear Rob,

### **2016/17 Council Tax Reduction Scheme Consultation response**

The County Council fully supports the recommendations of the East Sussex Joint Leaders and Chief Executive Group for significant change to Council Tax Reduction (CTR) schemes from April 2016 onwards. The purpose of this response is to reaffirm the County Council's support for our Partnership approach, to provide a formal County Council response within the District and Borough consultation process, and also to enable appropriate consideration to be given when Districts and Boroughs approve their 2016/17 Council Tax Reduction schemes.

The Partnership approach is important, because, if one authority has a different council tax policy to the others (proportionately) within the County area, then council tax payers over the rest of the County are likely to be financially disadvantaged, and an important revenue stream would be lost that can provide improved local services, including to vulnerable persons across the East Sussex area.

### **Scheme cost and funding**

As you know since 1 April 2013, local billing authorities have been responsible for running their own local schemes for council tax support. These Council Tax Reduction schemes replaced the national Council Tax Benefit scheme. It was a new financial burden to local authorities, with financial responsibility transferring from Central Government, but the grant which once fully (100%) financed the national scheme was reduced to 90%, and the County Council received initial "non-ringfenced" funding assessed on this 90% basis.

The "cost" of Council Tax Reduction Schemes is by reduction of the council tax base of Districts and Boroughs, within their council tax Collection Fund Accounts. Receiving the major share (approximately 70+%) of council tax collected by billing authorities, the County Council is therefore caused to forego the difference in council tax revenues that would be otherwise locally due/collectable by District and Borough authorities.

The 2013/14 cost of the scheme was £45.9m (CTR Group Report v2.11 p12). The County Council received new burdens funding from the Government of £30.2m (£45.9m x 90% x 73%), which became part of the County Council's general Settlement funding. However, general Settlement funding from Government of this sum has since progressively and significantly reduced (-28% or -£9.4m, ESCC share) due to the Government's austerity programme (-10% 2013/14, -8.5% 2014/15, -13.3% 2015/16).

### **CTR schemes protected**

From 2013/14 to 2015/16, the County Council has had to reduce the funding of its services by £64million. In broad terms, we have absorbed our annual cost pressures, as well as incurring 15% cuts in (essential) frontline services, inevitably affecting (directly or indirectly) services to vulnerable people. The cost of County Council back office functions has been reduced by 20%. During this same period, the cost of local CTR schemes has been locally protected from savings programmes.

From 2015/16, according to a national survey by the New Policy Institute, some 250 of the 326 local schemes require all working age residents to pay some council tax regardless of income. At the same time, the number of local authorities requiring minimum payments to their council tax levies has been increasing year on year and by 2015/16, 129 councils (more than half of the schemes) require a minimum payment of at least 20% of their liability.

According to a recent Joseph Rowntree review, a 20% liability is the most common. Authorities are also introducing further ways to reduce the cost of their Council Tax Reduction schemes, including changing their means-test components to assume self-employed people earn at least the minimum-wage and reducing the capital savings limit. Each of these proposals is identified in the supported recommendations of the East Sussex Joint Leaders and Chief Executive Group for significant change to their Council Tax Reduction schemes from April 2016 onwards.

### **Continuing savings requirements**

For 2016/17, the County's currently reported saving requirement is a further £20m - £25m (State of County report July 2015). At the same time, the County's total funding challenge (2016/17 to 2018/19) is projected to be £70m-£90m. This will be reviewed post the deferral of some of the Care Act new responsibilities and the outcome of the Government's Spending Review, and also, the County's annual financial Settlement. Notwithstanding these, the funding priorities of the County Council continue to be driving economic growth, keeping vulnerable people safe and helping people to help themselves, whilst making the best use of its resources. It is inevitable that savings programmes will have already impacted upon all County Council services and its core priorities.

Services across the whole budget of the County Council have been required to make a contribution toward ongoing savings requirements and appropriate savings have become more difficult to find. The County Council believes that previously protected Council Tax Reduction schemes should now be properly encompassed in local savings proposals. If fully adopted, the CTR consultation proposals for 2016/17 will be consistent with reductions in Government funding and reductions in County Council frontline services. They will reflect the way that many other authorities have already progressed.

## County Council financial impact of proposals

The County Council assesses its increased revenues from these 2016/17 consultations potentially as follows:

(say 70% share)	10% min charge	15% min charge	20% min charge	Capital savings limit	Min income level
	£m	£m	£m	£m	£m
Eastbourne	0.42	0.63	0.85	0.04	0.26
Hastings	0.41	0.62	0.83	0.03	0.28
Lewes	0.32	0.47	0.64	0.03	0.19
Rother	0.28	0.42	0.55	-	0.25
Wealden	0.34	0.50	0.67	0.04	0.29
<b>Countywide</b>	<b>1.77</b>	<b>2.64</b>	<b>3.54</b>	<b>0.14</b>	<b>1.27</b>

As a result, the total additional revenues available to the County Council would be £4.95m if the 20% minimum charge, capital savings limit and minimum income level recommendations were each incorporated into the 2016/17 CTR schemes, which incidentally appears to be an overall saving of approximately 15% of the original scheme cost (£45.9m x 73%x15%).

The County Council recognises an additional cost of collection will be associated with this increase in revenue, if collection rates are to be maintained. This is because householders who have not paid council tax before (including low income applicants) do not easily fall into normal recovery processes. It will be essential to engage with these council tax support applicants at the earliest opportunity and the County Council will accept a fair share of the cost of the additional resources if consultation proposals are fully implemented.

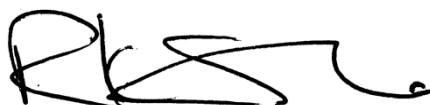
### Exceptional Hardship Funding

The County Council also wishes to participate in funding for Exceptional Hardship to mitigate the negative impacts resulting from these proposals. The County Council notes a percentage (0.5%) on the current level of CTR expenditure (total say £0.22m), for the Exceptional Hardship funding, and if consultation proposals are fully implemented, the County Council will participate in proportion to its share of the collection fund and are open to support some staffing costs to administer the fund.

### Conclusion

In conclusion, the County Council welcomes the progress made with the consultation proposals for 2016/17 CTR schemes across East Sussex, and unreservedly looks forward to their successful implementation.

Yours sincerely



Becky Shaw  
Chief Executive