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Our Ref  
BS/vf/CTR

Your Ref

Date  
18 October 2016

Dear Jane,

### **2017/18 Council Tax Reduction Scheme Consultation response**

This is the County Council's formal response to the council tax reduction consultation which closed on 16<sup>th</sup> September 2016. As you know, the four other East Sussex billing authorities implemented changes to their Council Tax Reduction (CTR) schemes for 2016/17. The County Council welcomes the proposals set out in the consultation and looks forward to the implementation of changes to the CTR scheme in line with those approved by the other billing authorities for 2016/17. It is important to be clear that there will be, should the Borough choose not to adopt the proposals, a consequential opportunity loss of income to the County Council and a higher level of required savings amongst County Council services.

### **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. 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 (-41% or -£13.8m, ESCC share) due to the Government's austerity programme (-10% 2013/14, -8.5% 2014/15, -13.3% 2015/16, -16.9% 2016/17).

### **CTR schemes protected**

From 2013/14 to 2016/17, the County Council has had to reduce the funding of its services by over £83million. 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.

### **Continuing savings requirements**

For 2017/18, the County's currently reported saving requirement is a further £17m - £25m (Cabinet report 11<sup>th</sup> October 2016). 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 2017/18 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 the consultation 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

	0.40	0.61	0.82	0.03	0.26
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As a result, the total additional revenues available to the County Council would be £1.11m if the 20% minimum charge, capital savings limit and minimum income level recommendations were each incorporated into the 2017/18 CTR scheme.

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.

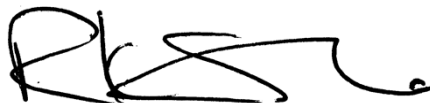
### **Exceptional Hardship Funding**

The County Council also wishes to participate in funding for Exceptional Hardship to mitigate the negative impacts resulting from these proposals. 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 the 2017/18 Hastings CTR scheme and unreservedly looks forward to its successful implementation.

Yours sincerely



Becky Shaw  
Chief Executive