

# 2016/17 Council Tax Reduction Scheme

## Background Information to Consultation

Prior to April 2013 Council Tax payers who were on low incomes could apply for Council Tax Benefit (CTB) to help pay their Council Tax. Under this national scheme, Council Tax payers could receive benefit of up to 100% of their Council Tax liability. The Council then received full funding from the Government for all correct Council Tax Benefit awards made.

Changes introduced by the Government abolished the Council Tax Benefit scheme from 1 April 2013 and made local authorities responsible for setting up their own local Council Tax Reduction Schemes (CTRS) for **working age** people. The Government also reduced the amount of funding given to Councils to pay for the schemes in 2013/14. Since 2014/15 the amount of grant received from Government to pay for CTRS can no longer be separately identified from the general grant (Revenue Support Grant) we receive. Therefore any decrease in our general grant means there is less money available to pay for all Council services including CTRS.

**The scheme for Pension Age applicants is set by Government and is not affected by any of the options set out in this consultation.**

The Council is required to formally adopt a scheme by 31 January each year to commence on 1 April of that year and to consult on any changes to the scheme.

We consulted on our proposals for replacing Council Tax Benefit in late summer and autumn 2012. Councillors agreed the details of our Council Tax Reduction Scheme in January 2013 and the scheme came into effect on 1 April 2013. For 2014/15 and 2015/16 no changes were proposed and therefore wider public consultation has not been undertaken since the scheme was first introduced. This consultation sets out some proposals for changes to the scheme for 2016/17 and we want your views on these to help us make final decisions.

Decisions about changes to the scheme need to be considered alongside the wider challenges being faced by local authorities.

The expected continued reduction in our general grant suggests that Hastings Borough Council will see an overall funding shortfall from 2016/17 to 2019/20 of around £3.9m. The Council needs to consider how it will deal with this and whether the current CTRS should be protected from changes.

Hastings Borough Council collects Council Tax from you but other authorities (“the Precepting Authorities”), namely, East Sussex County Council, Sussex Police and Crime Commissioner and the East Sussex Fire Authority, receive a percentage of the overall Council Tax that we collect. They are called precepting authorities because the money they are allowed to claim is called a precept. In 2015/16, we will keep approximately 14% of the Council Tax that we collect. East Sussex County Council will receive approximately 72%; the Fire Authority approximately 5%, and the Police and Crime Commissioner approximately 9%. The CTRS reduces the amount we collect and so impacts on the Precepting Authorities, as less Council Tax collected means their amount claimed is less. It therefore follows that reducing the cost of the scheme, and so increasing the amount of Council Tax we collect, will benefit the Precepting Authorities.

For example, if the CTRS cost was reduced by £500,000, Hastings Borough Council would benefit by approximately £70,000, East Sussex County Council by about £360,000, the Fire Authority by about £25,000 and the Police and Crime Commissioner by £45,000 based on the percentages set out in the previous paragraph.

The law says that we must include the Precepting Authorities in an initial consultation about the proposed changes. The proposals set out in this document take account of their views.

Councils across the County have been developing proposals for the 2016/17 scheme which take into account two issues: how to balance the need to provide support against the continued difficult financial environment for local government; and the aim to protect or enhance any work incentives in the current scheme which, as a consequence, help to reduce the burden on the public purse.

The estimated gross cost of the Hastings CTRS for 2015/16 is approximately £10.9m. Hastings Borough Council's share of this cost is around 14% in line with the split of Council Tax with the County Council, Police and Fire Service. The total cost, before government grant, of the CTRS across East Sussex is currently £46m.

As can be seen from the table below, each authority in East Sussex has a difficult financial situation to manage over the next few years and will have to reduce its spending and increase its income.

Authority	Estimated required spending reductions			
	2016/17 £'m	2017/18 £'m	2018/19 £'m	Total £'m
Sussex Police and Crime Commissioner	16.8	13.4	13.0	43.2
East Sussex Fire Authority	2.0	0.4	0.6	3.0
Eastbourne Borough Council	0.8	0.6	0.6	2.0
Hastings Borough Council	0.5	1.4	2.0	3.9
Lewes District Council	0.7	0.7	0.7	2.1
Rother District Council	0.4	0.7	0.9	2.0
Wealden District Council	0.5	1.0	1.5	3.0
Totals	21.7	18.2	19.3	59.2
East Sussex County Council	Breakdown not available			90.0
<b>TOTAL ESTIMATED SPENDING REDUCTIONS 2016/17 to 2017/18</b>				<b>149.2</b>

Some of these savings could come from reducing the amount of help provided to residents through the CTRS.

### CTRS options being considered

There are three options being considered for the Hastings Borough Council CTRS:

- **Option 1** - A minimum amount that all working age households should pay based on 10%, 15% or 20% of the relevant Council Tax for their property
- **Option 2** - The amount of capital should be restricted to £6,000 instead of the current £16,000
- **Option 3** - An assumed minimum income level for the self-employed to be used when assessing the amount of help to give. Allowance will be made for helping people setting up new businesses in their first year of operation.

These options are described in the questionnaire which follows on from this background information.

The potential savings from the proposed changes are summarised in the table below:

Description	Number of Hastings residents affected	Estimated saving to Hastings Borough Council	Estimated saving to ESCC, Police and Fire	Estimated total saving
<b>Option 1:</b>				
<b>Option 1a</b> 10% would be the minimum payment required from all working age applicants	7,252	£84,170	£501,580	£585,750
<b>Option 1b</b> 15% would be the minimum payment required from all working age applicants	7,252	£127,100	£757,400	£884,500
<b>Option 1c</b> 20% would be the minimum payment required from all working age applicants	7,252	£171,450	£1,021,550	£1,193,000
<b>Option 2:</b> Capital should be restricted to £6,000	40	£5,750	£34,250	£40,000
<b>Option 3:</b> Set a minimum income floor for self employed	650	£57,480	£342,520	£400,000

In addition, a number of other options for changing the current CTRS have been rejected due to either their impact on vulnerable groups or administrative complexity. These are detailed below:

### **Council Tax Band Cap**

Council Tax Reduction (CTR) would only be awarded up to an agreed level of Council Tax.

Example: If benefit was restricted to a Band B, an applicant living in a Band D property would have their benefit calculated on a Band B rate. This means they would have to pay the difference in council tax between a Band B property and a Band D property as a minimum, this would be around £7 per week. This option has been discounted because it would add a great deal of complexity and a large administrative burden.

### **Limit Dependants' Allowances**

This option would limit the number of dependants included when working out the amount of CTR.

Example: An applicant with 4 children would have their entitlement for CTR assessed as if there were only 2 children in the household. This option was discounted as it would only impact on larger families who are already having their housing benefit restricted by the benefit cap changes.

### **Inclusion of some benefits as income**

Within the current scheme, certain incomes are disregarded in full - for example, Child Benefit, Child Maintenance, Disability Living Allowance and Personal Independence Payments. If these were to be included as income in working out entitlement to support, it would reduce the cost of the scheme. However, it would also mean that people receiving these benefits would receive less support and, because these groups may be potentially vulnerable, this option has been discounted.

## **Alternatives to reducing the amount of help provided by the CTRS**

We have also thought about other ways to make the spending cuts we need to make and maintain the amount of financial support provided by the CTRS which is currently in place. These have not been completely rejected and you are asked about them in the questionnaire.

We have considered:

### **(i) Increasing the level of Council Tax**

To protect the current CTRS could see a rise in the amount of council tax charged by Hastings of between 0.6% and 2%. The Council, though, has already planned its finances on the basis of a potential 1.9% increase in Council Tax and implementing this option would result in an increase of between 2.5% and 3.9% in our charge. In cash terms this would increase the average council tax cost for Hastings' element by between £6.01 and £9.37 per annum. If applied to the whole Council Tax charge, on average this would increase the average annual charge by between £41.83 and £65.26.

Last year the government stated that any increase in council tax above 2% required a referendum. The cost to Hastings BC residents of holding a referendum would be the equivalent of about a 1% increase in council tax.

### **(ii) Reduce funding available for other Council Services**

The Council has to plan how it will save £3.9m over the next three years. If we decide to protect the current CTRS this will mean there is less money available to deliver all the other services provided by the Council. The council is already looking to use its reserves to help fund this shortfall (£1.4m).

## **Maintaining an Exceptional Hardship Fund for residents**

The Council is concerned that the implementation of any one of the proposals currently under consideration may lead to hardship for some residents.

If the Council implements the proposals to change the CTRS, we think it will be necessary to protect the most vulnerable households through the provision of an Exceptional Hardship Fund. People would be able to apply for additional help and the Council would assess their applications based on a number of factors including:

- Their household income;
- Their personal circumstances; and
- The level of their essential expenditure.

Each case would be examined on its own merits and any exceptional hardship payment would be paid in addition to any Council Tax Reduction. The Exceptional Hardship Fund would be separate from the Discretionary Housing Payment scheme, which is only available to people on Housing Benefit.

## **Conclusion**

All authorities in East Sussex have to consider where savings will come from in order to meet the impact of the continued reductions in government grants and are therefore proposing some changes to the CTRS.

No final decisions have been made yet and the following questionnaire seeks your views and suggestions to help us design the scheme for 2016/17