

SHEFFIELD CITY COUNCIL

INDIVIDUAL CABINET MEMBER DECISION RECORD

The following decision was taken on 7th February 2019 by the Cabinet Member for Finance.

Date notified to all members: 8th February 2019

The end of the call-in period is 4:00 pm on Thursday 14th February 2019

Unless called-in, the decision can be implemented from Friday 15th February 2019

1. **TITLE**

Review of Sheffield's Council Tax Support Scheme

2. **DECISION TAKEN**

That the Executive Director:

- (i) Notes the review of the Council's Council Tax Support Scheme, detailed in this report;
- (ii) That, in line with the review, the Council's Council Tax Support Scheme is not revised, apart from the changes the Council is required to make by statute, or replaced with another scheme;
- (iii) Approves the amendments to the Council's CTS Scheme to accommodate the changes the Council is required to make by statute; and
- (iv) That the Council's Council Tax Hardship Scheme continues to operate as detailed in this report.

3. **Reasons For Decision**

Legislation requires each Billing Authority to annually consider whether to revise or replace its Council Tax Reduction Scheme. For that purpose we have carried out a review of the Council's scheme.

Following from this review, it is recommended that the CTS scheme for 2019/20 should remain unchanged.

In reaching this decision, consideration has been given to both increasing and decreasing the level of support provided under the CTS scheme, and to moving away from a scheme based on the previous CTB scheme. Further detail on these considerations is provided in the main body of the report.

Given the current financial position of the Council, which has seen funding from central government reduced year on year since 2010/11, the Council is not in a

position to introduce a more generous scheme in 2019/20.

However, given the ongoing cumulative impacts of the benefit changes and additional welfare reforms introduced since 2011, the Council is acutely aware that any move to make the scheme less generous could have a significant impact on those households eligible for assistance under its CTS scheme.

Furthermore, although the Council continues to strengthen its understanding of Council Tax collection trends and payment behaviour in light of previous welfare reforms, the so far limited introduction of Universal Credit in the City, means that it is considered too early to fundamentally change the structure of the current CTS scheme.

By maintaining the CTHS, the Council will be able to continue to offer targeted support to those in the most severe financial need including those who are least able to change their financial situation, in order to mitigate the ongoing impact of the change from a fully funded national benefit scheme to a local Council Tax Reduction Scheme.

4. **Alternatives Considered And Rejected**

There are a number of other options available to the Council including:

- i. Maintaining the current scheme that is based on the previous CTB scheme but which increases or decreases the level of support available under the CTS scheme, or
- ii. Moving away from a scheme that is based on the previous CTB scheme including the options outlined below.

An analysis of each of these options is shown below:

Maintaining the current scheme and increasing support

As discussed above, consideration has been given to making the current scheme more generous. When looking at this option, the Council has included in its considerations how this may be financed and what impact this may have on the Council's overall budgetary position.

The Council's funding from Central Government for 2019/20 is set to be cut by around 29.6% or £15.5m from the funding it received in 2018/19. In addition, due to wider financial pressures faced by the Council, the total amount of savings required to balance the Council's budget in 2019/20 amount to £55m. In this context, making the scheme more generous, as set out in the tables earlier in the report, or even fully funding the scheme, is not recommended, due to the impact that it would have on the Council's overall financial position.

It should also be noted that, in 2012/13, when the Council made its original CTS scheme for 2013/14, it was already in a difficult financial position. At this point in time, several ways of funding a "100% scheme" were considered, including cutting funding to other services, increasing Council Tax purely to fund a 100% scheme, and using the financial reserves of the Council. However, none of those options

were either viable, or considered acceptable and, as a result were rejected. Given that the Council's financial position is worse now than it was when deciding on its CTS scheme in 2012/13, it is the view of the Council that none of these options are more viable, or acceptable, now than they were 6 years ago.

Given the above, the Council does not believe it can support a more generous CTS scheme in 2017/18.

Maintaining the current scheme and decreasing support

As discussed above, consideration has also been given to making the current scheme less generous. When considering whether to make the scheme less generous, the Council has taken into account what impact this may have on both the Council's overall position, and on those taxpayers who would still be eligible for CTS. The tables set out earlier in the report show the impact that reducing support will have. Whilst it shows that the initial cost of the scheme reduces, it also shows an increase in Council Tax arrears as a result of cutting support.

At a time when many households in the City are struggling to deal with the cumulative impacts of welfare reform, the Council is acutely aware of the impact of adding to their financial burden. It therefore considers that should it maintain a CTS scheme based on the previous CTB scheme, a cut in the support offered by that scheme is not an option that it should take.

Introduction of an Income Banded Scheme

Under this scheme the level of support provided would be based on household income set between certain bands. If we were to consider this approach further work would need to be undertaken to work out the costs involved. The cost of our current scheme for 2019/20 based on a 3% increase in Council Tax is expected to be around £40 m (this is the amount of Council Tax forgone). This modelling could include variations on the level of reduction and the level of income in the income bands.

The advantages of this scheme are that it:

- Gives stability to those whose wages fluctuate each month.
- All non-dependents are asked to contribute the same amount. Some applicants may have to pay less.
- Moves away from the complex means test that currently exists.
- Once established it will probably be simpler to administer and may therefore make administrative savings.
- Is less complex and easier for applicants to understand.

Also, if we were to set the lowest Income Band reduction at higher than 77%, working age people with the lowest income may receive more CTS than they do now if their income falls into Band A.

The disadvantages of this scheme are that:

- It would require a software change and initial enquiries indicate that the cost maybe significant and therefore prohibitive
- Depending on the income bands introduced and the maximum income level

- used, some current CTS recipients may see a reduction in support and depending on the maximum level of income, some may no longer qualify
- Those customers at the “cliff edge” of the income bands may struggle to cope with the level of support provided as they move from one band to another. However this could be mitigated by the CTHS.

Introducing a de- minimus income change

Under this approach any change in income which resulted in a change in the award of CTS by a certain amount would be disregarded. Some LA’s who have introduced this change have set the de –minimus change in income to £5 per week. Any increase in income up to £5 per week would not result in a change to the level of CTS.

If we were to adopt this scheme consideration would need to be given to the de-minimus level we set, as if we set too low a level, the anticipated reduction in amount of CTS awards that are recalculated and Council Tax bills may not be realised. By way of example a £5 per week increase in income is less than one extra hour worked per week for someone on the minimum wage

We would also need to set a baseline income level for each customer against which any future increases in income are compared.

The advantages of this scheme are that:

- All the other current entitlement rules are still maintained so there is no significant divergence from the way HB claims are processed.
- It gives a degree of stability, but in all probability lesser than the banded scheme, to those whose wages fluctuate each month.

The disadvantages of this scheme are that

- As we may not be responding to all changes in income and this could make some people slightly worse off.
- We are foregoing more Council Tax than we otherwise would.
- It would require a software change which may not be achievable or the cost maybe prohibitive (the feasibility of a successful software change is currently being scoped).
- It would potentially be more difficult to administer
- It may cause confusion amongst customers as they may think any increase in income beyond an initial increase does not affect the level of CTS they receive

Introducing a UC specific scheme

Introducing this type of scheme would result in different rules on entitlement eligibility for those working age customers in receipt of UC and those on legacy benefits and credits.

This could significantly increase the cost of administration and may require expensive software changes. It also has the potential to cause significant confusion amongst customers.

As a result of the complexity it would bring in terms of both administration and customer understanding, this is the least preferred option. It could also bring a significant risk of challenge as it would treat UC claimants differently to those who do not move onto UC.

Having a scheme which sets fixed assessment periods

This scheme would see an award of CTS fixed for a certain period of time, regardless of any income changes within that time.

The advantages of this scheme are that

- It would be simple for customers to understand
- It would mitigate any impact that regular fluctuations in income have on Council Tax billing and collection.

The disadvantages of the scheme are that

- Claims would still have to be reassessed periodically, and;
- Depending on whether changes on reassessment are applied retrospectively or not we could :
 - be making customers worse off;
 - be missing out on Council Tax revenue as we are awarding more CTS than necessary or ;
 - be impacting Council Tax collection rates as customers may have more Council Tax to pay over a shorter period of time.

Summary

Whilst consideration of the feasibility of introducing one of the options outlined above was given, it is still felt that it is too early in the process of the wider roll out of UC to determine which, if any, alternative option to the current scheme would be of beneficial to the interests of the City's taxpayers. For this reason it was decided not to replace the current CTS scheme with one of the alternative options for 2019/20.

5. Any Interest Declared or Dispensation Granted

None

6. Respective Director Responsible for Implementation

Executive Director, Resources

7. Relevant Scrutiny Committee If Decision Called In

Overview and Scrutiny Management Committee