

SHEFFIELD CITY COUNCIL

INDIVIDUAL CABINET MEMBER DECISION RECORD

The following decision was taken on 02 February 2017 by the Cabinet Member for Finance and Resources.

Date notified to all members: Friday 3 February 2017

The end of the call-in period is 4:00 pm on Thursday 9 February 2017

Unless called-in, the decision can be implemented from Friday 10 February 2017

1. **TITLE**

Review of Sheffield's Council Tax Support Scheme

2. **DECISION TAKEN**

That the Cabinet Member for Finance and Resources:-

(i) notes the review of the Council's CTS Scheme, detailed in the report;

(ii) approves the recommendation not to revise the Council's CTS Scheme, apart from the changes the Council is required to make by statute;

(iii) approves the amendments to the Council's CTS Scheme to accommodate the changes the Council is required to make by statute, as detailed in this report; and

(iv) approves the recommendation to continue with the Council's Council Tax Hardship Scheme.

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 2017/18 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 2017/18.

However, given the emerging cumulative impacts of the additional welfare reforms that have been introduced, including those introduced from April 2016, 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 is strengthening its understanding of Council Tax collection trends and payment behaviour, given the limited introduction of UC in the City, it is considered too early to fundamentally change the structure of the current CTS scheme.

By maintaining the Council Tax Hardship Scheme, 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 introduction of a discount support scheme linked to income bands or adopting a completely discretionary financial assistance scheme.

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 2017/18 is set to be cut by around 25%, or £22.8m, from the funding it received in 2016/17. In addition, due to wider financial pressures faced by the Council, the total amount of savings required to balance the Council's budget in 2017/18 amount to £60m. In this context, making the scheme more generous, as set out in the tables earlier in the report or even fully funding the scheme, which would cost around £5.7m, 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 4 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 can take.

Introducing a Discount Scheme Linked to Income Bands

Under this type of scheme CTS would be provided at a level equivalent to a household's full Council Tax liability if their income was below a certain amount, e.g. £100 per week, with stepped reductions in support as income rises. An illustrative example of how this could look is shown below:

Household income up to £100 = 100% support
Household income up to £150 = 75% support
Household income up to £200 = 50% support
Household income up to £250 = 25% support
Household income above £250 = no support

The advantages of this approach include:

- i. The scheme would be clear to claimants and easy to understand.
- ii. There could be some people who would be better off than under the current scheme.
- iii. Once established, it would be fairly simple to administer.

However, this option is not being recommended because:

- i. It is a fairly 'blunt' tool, for example, the level of support takes no account of the number of people in a household, so for example, a single person with an income of £180 would get the same level of support as a family with 2 children in the same income band.

- ii. The level of support is not very responsive to changes in income, for example, a household income of £200 could attract 50% support. If the next income band below £200 was £150, a reduction in weekly income of up to £50 would not result in an increase in CTS.
- iii. Some claimants would face very high reductions in support based on slight increases in income. For example, a household income of £99 may get 100% support whilst an income of £101 may only get 75% support.
- iv. It is highly likely that the system changes required to support this approach would add significant expense to the cost of implementing such a scheme.

A Completely Discretionary Financial Assistance Scheme

This approach would look to make awards of CTS on an entirely 'case by case' individual basis.

However, this option is not being recommended because:

- i. The scheme would require highly knowledgeable, skilled staff supported by sophisticated systems and processes. Therefore the staff development and system changes required to support this approach would add significant expense to the cost of implementing such a scheme.
- ii. Operating a discretionary based scheme with little or no reference to regulatory criteria would increase significantly the risk of legal challenge to the Council. Such legal challenge could require significant resources to deal with and could lead to cases progressing to Judicial Review, which would further increase any financial and reputational risk to the Council.
- iii. It would not comply with the minimum legislative requirements of a local scheme including that the scheme must specify the class of persons entitled to assistance and set out the reduction to which persons in each class will be entitled to.
- iv. This approach would be highly resource intensive and every decision would need to be made individually with little or no "automatic processing" to support decision making. Failure to assess each case on an individual basis would see the Council fettering its discretion and leave it open to successful legal challenge on every decision.

Having considered all of the above, and in view of the ongoing financial situation faced by the Council, it is considered that the most appropriate way to offer ongoing support to those taxpayers eligible for CTS is to maintain the scheme in its present format in 2017/18.

5. **Any Interest Declared or Dispensation Granted**

None

6. **Respective Director Responsible for Implementation**

Acting Executive Director, Resources

7. **Relevant Scrutiny Committee If Decision Called In**
Overview and Scrutiny Management Committee