

SHEFFIELD CITY COUNCIL

INDIVIDUAL CABINET MEMBER DECISION RECORD

The following decision was taken on 3rd February 2022 by the Executive Member for Finance and Resources.

Date notified to all members: 7th February 2022

The end of the call-in period is 4:00 pm on 11th February 2022

Unless called-in, the decision can be implemented from 14th February 2022

1. TITLE

Review of Sheffield's Council Tax Reduction Scheme

2. DECISION TAKEN

That the Executive Member for Finance and Resources:

1. Notes the review of the Council's Council Tax Support Scheme, detailed in the report;
2. 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;
3. Approves the amendments to the Council's Council Tax Support Scheme to accommodate the changes the Council is required to make by statute; and
4. That the Council's Council Tax Hardship Scheme continues to operate as detailed in the 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 CTRS remains unchanged, as whilst reducing the support offered through the scheme may help with the Council's financial situation, this is countered by the fact that the burden will fall on vulnerable households who are experiencing financial hardship as a result of the pandemic. It is also considered that maintaining the scheme in its current form and at the same level of support provides certainty, during what are uncertain times.

In reaching this decision, consideration has been given to both increasing and

decreasing the level of support provided under the CTRS, 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, the Council is not able to introduce a more generous scheme in 2022/23.

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.

4. Alternatives Considered And Rejected

There were four alternative options for changing the CTS scheme considered, which comprise:

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 2022/23 based on a 2.99% increase in Council Tax is expected to be around £41m (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.

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 as to the level of changes in income that would be considered to be de-minimus.

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 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.
- It would potentially be more difficult to administer
- It may cause confusion amongst customers as they may not know which changes to their income they are required to report to the Council

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.

Whilst consideration of the feasibility of introducing any one of the options outlined above was given, it is considered that there is significant merit in providing certainty during these uncertain times, and as such it was decided not to replace the current CTRS with one of the above alternative options for 2022/23.

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