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**Report of:** Eugene Walker  
**Report to:** Ben Curran, Cabinet Member for Finance and Resources  
**Date of Decision:** 22 November 2016  
**Subject:** Review of Sheffield's Council Tax Support Scheme

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input type="checkbox"/>	
- Affects 2 or more Wards	<input checked="" type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? Finance and Resources		
Which Scrutiny and Policy Development Committee does this relate to? <b>Overview and Scrutiny Management Committee</b>		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? <b>1195</b>		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-		
<p><i>"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."</i></p>		

**Purpose of Report:**

1. In April 2013, as part of a wide ranging welfare reform programme, the Government abolished Council Tax Benefit (CTB) and the Council, as required by law, approved and implemented its own Council Tax Reduction Scheme. The Government provided grant funding to the Council to finance its Council Tax Reduction Scheme (referred to as Sheffield City's Council Tax Support (CTS) scheme in this report) in 2013/14. The Council's funding was approximately £5.5m (10%) below the level of subsidy it received to pay Council Tax Benefit in 2012/13. In addition to the cut in funding, the Government also required the Council to protect pensioners by providing them with the same rate of support that they would have received under CTB. This requirement meant that the actual cut in funding for CTS fell on

working-age customers (and a small number of non -protected pensioners) amounting to a 23% cut.

2. Legislation requires each Billing Authority to annually consider whether to revise or replace its CTS scheme.
3. This report sets out the background to the original decision on the design of our CTS scheme for 2013/14. It further provides an overview of the outputs from year 3 of the scheme (2015/16) and, as required by statute, a review of the scheme in operation in year 4, 2016/17. This review informed the reports proposals on whether to revise or replace the Scheme in 2017/18.
4. The report also provides information on the assistance provided under the Council Tax Hardship Scheme (CTHS) and makes recommendations to maintain the current Council Tax Support scheme in its present form in 2017/18 and to continue with the Council's Council Tax Hardship Scheme (CTHS) in 2017/18.
5. The report also:
  - a. Forecasts that a trend of reducing caseload levels means that CTS expenditure will come in within budget in 2016-17.
  - b. Points out that, as expected, the recovery rate for CTS customers is lower than the collection rate overall because many are still coming to terms with having a liability for Council Tax, or are having to pay increased amounts and, in making this financial adjustment, have entered into longer term repayment arrangements with the Council.
  - c. Proposes that given the cumulative impact of all the other welfare cuts introduced since April 2013, together with the fact that the Council is still developing its understanding of the impact of CTS on Council Tax collection trends and payment behaviour, and the limited introduction of Universal Credit in the City, it is too early to fundamentally change the structure of the current CTS scheme.
6. Furthermore, it suggests that maintaining the current CTS scheme in its present format for the financial year 2017/18 will:
  - a. Continue to spread the ongoing burden of the overall reduction in funding for CTS equitably across all working-age claimants and ensure that those with the greatest need continue to receive the greatest level of support.
  - b. Ensure that taxpayers continue to receive the same level of financial assistance, thus minimising both the financial impact of the scheme and disruption to taxpayers as the percentage of Council Tax they have to pay remains unchanged.
  - c. Minimise the risk of a significant increase in workload for the Council's Revenues and Benefits Service.
  - d. Allow the Council to plan more effectively for any impact that Universal

Credit (UC) will have on CTS. Universal Credit was introduced in Sheffield on 18 January 2016. Currently claims to UC are restricted to new claims from certain categories of single people who otherwise would have made a claim for Income Based Job Seekers Allowance (JSA) (IB). As at the end of October 2016, out of a working age CTS caseload of 30,457, there were 383 customers in receipt of UC and CTS.

- e. Although it is expected that this figure will increase, it is not expected that there will be any significant increase in the numbers of UC and CTS recipients until the DWP move to the next phase of implementation, which, in Sheffield, will be in July and September 2018. At this point all customers making a new claim for any of the benefits or credits that UC replaces will make a claim for UC.
- f. Improve the Council's ability to more accurately forecast the impact that CTS will have on income collection.
- g. Allow the Council more time to review and learn from the operation and effectiveness of other local authorities CTS schemes, whilst also assessing the possible impact that Universal Credit may have, before making any changes to the scheme. Further, in the later part of 2015/16, the Government commissioned a review of how Council Tax Reduction Schemes are operating nationally. The review reported its findings in the spring of 2016. One thing the review was asked to consider was whether or not CTS should form part of UC. The review has recommended that CTS should remain outside of UC. Given that Government has yet to respond to the recommendations of the review, by keeping the scheme in its current form we will mitigate the impact that any changes to the scheme that may be mandated by Government, following the review.

**Background Papers:***N/a*

Lead Officer to complete:-	
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated/additional forms completed/EIA completed, where required.
	Finance: <i>Eugene Walker</i>
	Legal: <i>Brendan Twomey</i>
	Equalities: <i>Adele Robinson</i>
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	<b>EMT member who approved submission:</b> <i>Eugene Walker</i>
3	<b>Cabinet Member consulted:</b> <i>Ben Curran</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.
	<b>Lead Officer Name:</b> <i>John Squire</i>
	<b>Job Title:</b> <i>Finance Manager</i>
<b>Date:</b> <i>18<sup>th</sup> January 2017</i>	

## **1. PROPOSAL**

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.

This report sets out the background to the original decision on the design of our CTS scheme for 2013/14. It further provides an overview of the outputs from year 3 of the scheme (2015/16) and, as required by statute, a review of the scheme in operation in year 4 2016/17. This review informed the reports proposals on whether to revise or replace the Scheme in 2017/18.

The report also provides information on the assistance provided under the Council Tax Hardship Scheme (CTHS) and makes recommendations to maintain the current Council Tax Support scheme in its present form in 2017/18 and to continue with the Council's Council Tax Hardship Scheme (CTHS) in 2017/18.

### **Background**

In April 2013, as part of a wide ranging welfare reform programme, the Government abolished Council Tax Benefit and at a meeting of full Council held on 23 January 2013, the Council, as required by law, approved and implemented its own local scheme of CTS, to be implemented from 1 April 2013.

The Government provided specific grant funding to the Council to finance the CTS scheme in 2013/14. The Council's funding was approximately £5.5m (10%) below the level of subsidy it received to pay Council Tax Benefit in 2012/13. This specific funding ceased at the end of 2013/14. From 2014/14 onwards, any funding for CTS is included in the overall funding the Council receives from Central Government, which was subject to a further cut in 2016/17, of 22% (£25.2m) from the 2015/16 level.

In addition to the cut in funding, the Government also required the Council to protect pensioners by providing them with the same rate of support that they would have received under CTB. This requirement is still in place for both 2016/17 and 2017/18.

This requirement meant that the actual cut in funding in 2013/14 for CTS fell on working-age customers (and a small number of non -protected pensioners) amounting to a 23% cut.

Taking account of the extremely difficult financial position facing the Council, together with the challenging deadline for implementing CTS, the Council decided that the design of its CTS scheme should align as closely as possible to the CTB scheme that it replaced but, unlike CTB, in order to manage the cut in funding, took the difficult decision to limit

support to working-age customers to 77% of their net Council Tax liability.

### **Caseload and cost of CTS**

Our funding for CTS is included in the overall funding we receive from Government. It is therefore unresponsive to changes in demand, for example, a significant increase in demand for assistance from the scheme, perhaps triggered by a rise in unemployment, would lead to the Council forgoing more Council Tax than it had planned for.

Similarly, the amount of Council Tax that the Council can afford to forego, (the amount that overall Council Tax liability is reduced by) under the scheme, is sensitive to changes in Government funding. If overall funding continues to be cut, then maintaining or increasing the level of support under the scheme, comes at a real cost to the Council. Consequently, when considering the designing of the CTS scheme each year, the Council needs to ensure that it is able to meet the financial demands of that scheme throughout the year in question, and be aware of the financial impacts that this may have.

Since the introduction of CTS in 2013, there has been a gradual reduction in the CTS caseload, as shown below:

- April 2013 the caseload was c60,000
- April 2014 the caseload was c58,000
- April 2015 the caseload was c55,000
- April 2016 the caseload was c53,000
- October 2016 the caseload was just over 52,000.

Both the working age and pension age elements of the overall caseload have reduced. By way of example, in October 2016, the working age caseload was 30,457, whilst the Pension Age caseload was 21,990, giving a current caseload of just over 52,000, giving a reduction of 1,000 since the beginning of the financial year.

Any change in caseload has an impact on the “cost” – the amount of council tax foregone, of the scheme in each year. The table below shows the forecast (at the start of each year) and the cost (the actual amount of Council Tax forgone) for each year since 2013/14.

<b>Year</b>	<b>Forecast Cost</b>	<b>Actual Cost</b>
2013/14	£41m	£39.1m
2014/15	£37.5m	£37.4m
2015/16	£37.8m	£37.25m
2016/17	£37m	£37.2m
2017/18	£37.1	

However it is not only changes in caseload that affects the “cost” of the CTS scheme. The rate of council tax also affects the cost. In 2016/17 although the caseload has reduced, Council Tax increased by 3.99% due to the introduction of the 2% Social Care Precept and the Council’s decision to increase Council Tax by 1.99%. Hence the actual amount of CTS foregone, at the point bills were issued for 2016/17 is higher than originally forecast, when the introduction of the Adult Social Care precept was not known

However, based on the caseload as at the end of November 2016, and levels of awards made in year, we have been able to revise our forecast for the cost of the scheme in 2016/17 to be £36.5m This means that the amount of Council Tax foregone under the CTS scheme in 2016/17 will be below the figure originally budgeted for.

The level of Revenue Support Grant funding that the Council will receive from Government for 2017/18 will be cut by 25.2%, or £22.8m from the grant received in 2016/17.

### **Collection and recovery**

As a result of the 77% cap, and the increase in Council Tax for 2016/17, families in receipt of CTS and living in a Band A property now have at least £242.46 to pay each year and single people at least £181.85.

As expected, the collection rate for CTS customers is lower than the collection rate overall with many entering into longer term repayment arrangements with the Council.

The table below shows an analysis of collection rates over the 3 full financial years that CTS has been in place.

<b>YEAR</b>	<b>OVERALL COLLECTION RATE</b>	<b>NON CTS CASES</b>	<b>WORKING AGE CTS CASES</b>
2013/14	93.70%	93%	65%
2014/15	94.04%	95.18%	67%
2015/16	94.33%	95.22%	69%

This shows that since CTS was introduced in 2013/14 there has been an increase in both the overall collection rate each year and in the collection rate amongst working age CTS taxpayers. This suggests that the majority of taxpayers in receipt of CTS are becoming increasingly familiar with the fact that they now have to pay part of their council tax liability and that the consistent level of support provided under the CTS scheme is giving a degree of certainty to those taxpayers when managing their finances.

At the end of October 2016 the collection rate amongst all CTS customers was 46.36 % compared with 45.61% in October 2015.

The increase in the collection rate for working age CTS taxpayers is reflected in the recovery action taken against this cohort of taxpayers, as

shown below:

<b>YEAR</b>	<b>NUMBER OF SUMMONSES ISSUED TO CTS TAXPAYERS</b>
2013/14	20,000
2014/15	17,000
2015/16	16,000

It is worth noting that, at the end of October 2016, the number of summonses issued to CTS taxpayers for the period April 2016- October 2016 was 11,519, compared to 13, 317 for the same period in 2015/16.

### **Options for design of our 2016/17 CTS scheme**

Last year, the Council considered that it was too early to make any changes to its CTS scheme. There is still an ongoing benefit of maintaining a scheme in 2017/18 whose design is aligned to CTB and HB as it would continue to offer the following advantages:

- a. It will continue to spread the burden of the reduced funding for CTS equitably across all working- age claimants and, by applying the means test already established by CTB, ensure that those with greatest need continue to receive the greatest level of support.
- b. During a challenging period of change for many low income households, it will provide continuity for those already claiming CTS and ensure that no additional confusion or disruption is brought about.
- c. There will be no requirement to change ICT systems, undertake training, amend documentation and produce publicity material, all of which increase costs and would be required if the current scheme were to be amended.
- d. The way in which Universal Credit (UC) will interact with CTS will be a key factor in any redesign of our scheme. As plans for UC are still unclear with limited rollout for UC scheduled to start in Sheffield in January 2016 to, there is a risk in making changes to our CTS scheme before the impact of UC can be properly assessed.
- e. It will allow the Council to develop a longer term and more accurate view of the impact of CTS on income collected through Council Tax enabling it to take a more informed view of the longer term design of its CTS scheme.
- f. Allow the Council more time to review and learn from the operation and effectiveness of other Councils' schemes before making any changes to its own. It will also help minimise the impact of any changes to Council Tax Reduction Schemes that may arise out of the Government's national review of Council Tax Reduction



## Schemes.

The tables set out below show the impact on the cost of a scheme for 2017/18 based on the current CTS caseload but with differing, lower, levels of support and council tax increases.

The first table shows the indicative cost of the scheme should Council Tax not increase with support being maintained at the current level or reduced. The second table shows the minimum liability for a taxpayer based on this scenario.

Limit	Cost	Saving	Arrears	Increase in Arrears	Net saving
77%	£37.2m	n/a	£2.4m	N/a	N/a
75%	£36.7m	£0.5m	£2.6m	£0.2m	£0.3m
70%	£35.4m	£1.8m	£2.9m	£0.5m	£1.3m
65%	£34.2m	£3m	£3.3m	£0.9m	£2.1m

Limit	Single Person weekly	Single Person annually	Family weekly	Family annually
77%	£3.49	£181.85	£4.65	£242.46
75%	£3.79	£197.66	£5.05	£263.55
70%	£4.55	£237.19	£6.07	£316.25
65%	£5.31	£276.72	£7.08	£368.96

The tables below show the indicative cost and minimum liability if council tax increases by 2%

Limit	Cost	Saving	Arrears	Increase in Arrears	Net saving
77%	£37.9m	n/a	£2.5m	£0.1m	N/a
75%	£37.4m	£0.5m	£2.6m	£0.1m	£0.4m
70%	£36.1m	£1.8m	£3m	£0.5m	£1.3m
65%	£34.8m	£3.1m	£3.4m	£0.9m	£2.2m

Limit	Single Person weekly	Single Person annually	Family weekly	Family annually
77%	£3.56	£185.48	£4.74	£247.31

75%	£3.87	£201.61	£5.16	£268.82
70%	£4.64	£241.93	£6.19	£322.58
65%	£5.41	£282.26	£7.22	£376.34

The tables below show the indicative cost and minimum liability if council tax increases by 4%

Limit	Cost	Saving	Arrears	Increase in Arrears	Net saving
77%	£38.7m	n/a	£2.5m	£0.1m	N/a
75%	£38.1m	£0.6m	£2.7m	£0.2m	£0.3m
70%	£36.8m	£1.9m	£3.2m	£0.7m	£1.2m
65%	£35.5m	£3.2m	£3.6m	£1.1m	£2.1m

Limit	Single Person weekly	Single Person annually	Family weekly	Family annually
77%	£3.63	£189.12	£4.84	£252.16
75%	£3.94	£205.57	£5.26	£274.09
70%	£4.73	£246.68	£6.31	£328.90
65%	£5.52	£287.79	£7.36	£383.72

These tables show that although reducing support initially lowers the cost of the scheme, when an increase in the arrears figures are taken into consideration, the savings are reduced. This also does not take into account the additional resources that may be required to collect additional liabilities or if the numbers of taxpayers in arrears increases

If the Council was to consider making the scheme more generous, then the indicative cost to the council and impact on those receiving support would be as set out below

#### No increase in Council Tax

Limit	Cost	Increased Cost	Arrears	Reduction in Arrears	Net Increase
80%	£37.9m	£0.7m	£2.1m	£0.3m	£0.4m
85%	£39.2m	£2m	£1.8m	£0.6m	£1.4m
90%	£40.4m	£3.2m	£1.4m	£1m	£2.2m

100%	£42.9m	£5.7m	£0.6m	£1.8m	£3.9m
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Limit	Single Person weekly	Single Person annually	Family weekly	Family annually
80%	£3.03	£158.13	£4.04	£210.84
85%	£2.27	£118.60	£3.03	£158.13
90%	£1.52	£79.06	£2.02	£105.42

**The tables below show the indicative cost and minimum liability if council tax increases by 2%**

Limit	Cost	Increased Cost	Arrears	Reduction in Arrears	Net Increase
80%	£38.6m	£1.4m	£2.2m	£0.3m	£1.1m
85%	£39.9m	£2.7m	£1.8m	£0.7m	£2m
90%	£41.2m	£4m	£1.4m	£1.1m	£2.9m
100%	£43.7m	£6.5m	£0.7m	£1.8m	£4.7m

Limit	Single Person weekly	Single Person annually	Family weekly	Family annually
80%	£3.09	£161.29	£4.12	£215.05
85%	£2.32	£120.97	£3.09	£161.29
90%	£1.55	£80.64	£2.06	£107.53

**The tables below show the indicative cost and minimum liability if council tax increases by 4% increase in Council Tax**

Limit	Cost	Increased Cost	Arrears	Reduction in Arrears	Net Increase
80%	£39.4m	£2.2m	£2.3m	£0.2m	£2m
85%	£40.7m	£3.5m	£1.9m	£0.6m	£2.9m
90%	£42.0m	£4.8m	£1.5m	£1m	£3.8m
100%	£44.6m	£7.4m	£0.7m	£1.8m	£5.6m

Limit	Single Person weekly	Single Person annually	Family weekly	Family annually
80%	£3.15	£164.45	£4.21	£219.27
85%	£2.37	£123.34	£3.15	£164.45
90%	£1.58	£82.23	£2.10	£109.63

Given the Council's current and ongoing financial situation any increase in the level of support comes at a significant and unsustainable cost. Equally although reducing support would see the cost of the scheme reduce, 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 and who are either also dealing with the ongoing impacts of cuts in other benefits or will be impacted by further welfare reform cuts planned from 2016 onwards.

### **Welfare Reform – Future Changes**

As part of the Governments ongoing reform of the Welfare System several changes to Housing Benefit (HB) are being introduced within the coming months. The overall impact of these changes will be to reduce the level of Housing Benefit to those affected, thus increasing the amount they pay towards their rent. In turn this could have an impact on their ability to pay their Council Tax.

It is possible that the Government may choose to make changes to the Prescribed Requirements Regulations which would mean that some of these changes could also be applied to the Council's CTS scheme. However, this would see a reduction in the level of support offered to those affected by the changes. These changes to HB are set out below:

- Limit support provided to families to 2 Children. This will apply to new claims made after April 2017 and means that for most families with more than 2 children only the first 2 Children will count when assessing the whole households need. This change could be incorporated into the CTS scheme, but by not doing so the Council will continue to provide the maximum possible support to families.
- Reduce backdating to 1 calendar month. This applies to working age customers from April 2016. Under our CTS scheme an award of support can be backdated for 3 months.
- Removal of the family premium for new claims and new births from May 2016. This move will reduce the "applicable amount" (the amount of income the Government says a family needs to live on). This in turn means that income above this level is counted for HB purposes and will lead to lower HB awards, and higher rent payments for families. This change could be incorporated into the CTS scheme, but by not doing so the Council will continue to provide the maximum possible support to families.
- Not awarding the Severe Disability Premium to a HB claimant whose carer receives a care element in their Universal Credit award. This change could be incorporated into the CTS scheme, but by not doing so the Council will continue to provide the maximum possible support to those disabled CTS recipients to whom this would otherwise apply.
- Limiting HB payments to 4 weeks for those claimants who are temporarily

absent from Great Britain. This will reduce the awards of HB to those who need to travel abroad for certain periods of time. The government has prescribed that this change must be applied to customers of a pensionable age. However, we can choose whether or not to incorporate this change in to our CTS Scheme and apply it to working age customers as well. We do not propose to incorporate this change in to our CTS scheme as by not doing so the Council will continue to provide the maximum possible support to those working age CTS customers to whom this would otherwise apply, with customers from a BME background amongst those most likely to be effected should this change be replicated in the CTS scheme.

There are also changes that the Department for Works and Pensions (DWP) will introduce which may increase demand for CTS, or assistance from the Council Tax Hardship Scheme (CTHS). These include:

- Removal of the Work Related Activity (WRA) component in awards of Employee and Support Allowance (ESA). This will reduce the amount of ESA awarded to those affected. This change could increase demand for assistance from the Council Tax Hardship Scheme (CTHS) as those affected will see a significant drop in their income (almost one third) which may result in them struggling to pay their council tax.
- Benefit Cap – Second Phase. The Government has reduced the amount of “benefits income” certain households can receive. This income which includes Housing Benefit (HB) but not disability benefits or carers allowance will see the level of income capped to £20,000 for families, including single parents, and 13,400 for single people.
- From 7 November 2016, the first element of the second phase of the benefit cap was applied. This affected 113 households. This first element saw those customers who had already been capped under the first phase have their entitlement to Housing Benefit HB reassessed. Those who had previously had their HB reduced to the minimum amount of £0.50p per week (9 households) will continue to receive that level of HB. Of the rest, 90 households will see their HB reduced to 0.50p per week. For these households, the average weekly reduction in their HB is £61.54. The amount a households HB is reduced by is equal to the additional amount they need to pay towards their rent. Given this there is a high possibility that these households may qualify for assistance under the CTS scheme and the CTHS.
- In January 2017, a further 800 households will be subject to the cap for the first time. Like those capped originally and in November 2016, those affected will see their HB cut by the amount of income they are over the “cap”, thus increasing the amount of rent they pay. The average reduction in HB per week for these families is £48.23. The number of children in all households affected by the second phase of the benefit cap is around 3,446. Again this may have a negative impact on their ability to pay their Council Tax and could increase demand for assistance from the CTHS.

### **Council Tax Hardship Scheme**

Since 2013 the Council has had a locally funded Council Tax Hardship Scheme (CTHS) which provides additional assistance to taxpayers who are in severe financial hardship. The scheme allows the Council to target support to those in the

greatest need and is a more cost effective method of providing support to those most directly affected by the introduction of CTS than blanket provision by means of an across the board approach, e.g. providing support to a specific class of taxpayer.

The funding for the scheme for 2016/17 is £800,000, an increase from £600,000 for 2015/16.

For 2017/18, one way of providing further financial assistance to households who are struggling financially would be to increase the funding available under the CTHS. This will allow any additional support to be targeted at the most financially vulnerable households.

As at the end of October 2016 we have made awards totalling over £431,542.43 to over 2,554 households. We fully expect to utilise the entire hardship fund in the remainder of this financial year.

It is anticipated that this funding will be fully utilised. It is recommended that the CTHS continues in 2017/18 with the level of funding to be determined later in 2016/17 when there is more certainty re the demand for support and the level of council tax to be set in 2017/18.

### **Other Local Authority Schemes**

Currently there are 144 Local Authorities with a minimum Council Tax payment of 20% or more (our minimum Council Tax payment is 23%). In 2013/14 there were 93, so 50 Local Authorities have had to change their scheme in a fairly fundamental way. By not changing our scheme we have provided our CTS taxpayers with a level of certainty in terms of the support they will be able to receive which has assisted them in transitioning from a place where they had no council tax to pay to where they have to pay a contribution.

## **2. HOW DOES THIS DECISION CONTRIBUTE ?**

Maintaining the current scheme based on its means-tested format, will continue to spread the available support equitably across all claimants and ensure that those with the greatest need continue to receive the greatest level of support. By not making the Scheme more generous we will limit the amount of Council Tax foregone, thus ensuring that the level of Council Tax collected continues to contribute to the provision of services. By not making the scheme less generous we will continue to minimise the level of Council Tax that some of the most financially vulnerable households in the City have to pay.

By continuing the CTSH scheme, the Council will be able to provide financial support for its most financially vulnerable citizens.

## **3. HAS THERE BEEN ANY CONSULTATION?**

Under the 1992 Local Government Finance Act, where a billing authority decides to revise its scheme, it is required to comply with set preparation requirements, including publishing the draft scheme and consultation. The proposal is, upon review, not to revise its scheme, apart for revisions referred to in paragraph 39 and which it is statutorily required to make. If the proposals are approved, the preparation requirements will not apply and as such there was no requirement on the Council to consult.

#### **4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

##### **Equality of Opportunity Implications**

As a Public Authority, we have legal requirements under Section 149 of the Equality Act 2010. These are often collectively referred to as the 'general duties to promote equality'. To help us meet the general equality duties, we also have specific duties, as set out in the Equality Act 2010 (Specific Duties) Regulations 2011. We have considered our obligations under this Duty, and to this end, when the Council reviewed its CTS scheme, the Council undertook an Equalities Impact Assessment (EIA).

The provision of the CTHS in tandem with the CTS scheme has allowed additional financial support to be targeted at those households in the most need as well as ensuring that on-going support can be prioritised to those taxpayers who are least able to improve their financial situation, such as:

- Persons with a disability,
- Those with caring responsibilities, and;
- Single parents with young children.

In January 2013, the Council's CTS scheme was the subject of a Judicial Review where the way in which it had addressed the equalities implications of its scheme was challenged. The court, after considering a number of issues, including the Council's proposed CTHS, decided that it had satisfactorily addressed the equalities implications of the CTS scheme.

Therefore it is proposed that the Council Tax Hardship Scheme is maintained in 2017/18 and that the level of funding be determined once the actual rate of any rise in Council Tax is known.

##### **Financial and Commercial Implications**

The funding for the Council Tax Support Scheme (of £36m in 2013/14) has been subsumed within other elements of the Revenue Support Grant (RSG) formula and is no longer separately identifiable.

As reported in the Medium Term Financial Strategy, the Council's allocation of Revenue Support Grant (RSG) in 2016/17 was subject to a further cut of around 22% from the level of grant awarded in 2015/16. Our RSG grant for 2017/18 is expected to be cut by a further 25%.

Based on current forecasting and allowing contingency for a small increase in both caseload and Council Tax, the Council will be able to maintain the current CTS scheme into 2017/18.

### **Legal Implications**

The Council is required, under the Local Government Finance Act 1992 (the 1992 Act), for each financial year, to consider whether to revise or replace its CTS scheme. The Council's review, detailed in this report complies with this requirement.

Under the 1992 Act, each billing authority's scheme must comply with prescribed requirements, set out in regulations. In respect of pensioners (as defined in regulations), how an applicant's entitlement is assessed is prescribed in regulations. Billing authorities are required to ensure their scheme includes the prescribed entitlement assessment provisions. The relevant regulations have been amended, changing the entitlement assessment provisions. In addition, the regulations have been amended to provide that allowable temporary absences from Great Britain are, in most cases, reduced from 13 weeks to 4 weeks. The Council's scheme is therefore required by statute to be amended to reflect the amendments to the regulations.

Under the 1992 Act, where a billing authority decides to revise its scheme, it is required to comply with set preparation requirements, including publishing the draft scheme and consultation. The proposal is, upon review, not to revise its scheme apart for revisions referred to above and which it is statutorily required to make. If the proposals are approved, the preparation requirements will not apply.

Under the 1992 Act, a decision to revise a billing authority's scheme is required to be made by the authority, not its executive. This requirement does not apply to the review of a scheme and, therefore, decisions not to revise a scheme may be made by the billing authority's executive. The proposals are, upon review, not to revise the Council's scheme, apart from statutory required revisions, referred to above. Accordingly, this proposal may be approved by the executive and not the Council. Under the Leader's Scheme of Delegation of Executive Functions, the decision to approve the proposals may be made by the Individual Cabinet Member for Finance.

### **Other Implications**

#### **Human Resources Implications**

It is anticipated that maintaining the current CTS scheme into 2017/18 will have no staffing implications for Council staff and no implications for Capita staff who currently administer the CTS scheme and the Council Tax Service.

#### **Environmental Implications**

No environmental implications are expected as a result of continuing with the



current CTS scheme into 2017/18. Self-service options will continue to be promoted reducing the need for paper forms and the need for claimants to travel to appointments.

#### Contractual Implications

By maintaining the current CTS scheme into 2017/18, it is not anticipated that any change to the contractual agreement with our Council Tax Service provider, Capita, will be required.

### **5. ALTERNATIVE OPTIONS CONSIDERED**

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.

## **6. REASONS FOR RECOMMENDATIONS**

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 were introduced, 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, and imminent but limited introduction of Universal Credit in the City, it is also 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.

#### Reasons for Recommendations:

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.

### **Recommendations:**

Note the review of the Council's CTS Scheme, detailed in this report.

Approve the recommendation not to revise the Council's CTS Scheme, apart from the changes the Council is required to make by statute.

Approve 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.

Approve the recommendation to continue with the Council's Council Tax Hardship Scheme.