



Author/Lead Officer of Report:

John Squire

Finance Manager

Tel: 0114 2734309

Report of: Eugene Walker

Report to: Cate MacDonald, Cabinet Member for Finance, Resources and Governance

Date of Decision:

Subject: Review of Sheffield's Council Tax Reduction Scheme

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"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."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

Purpose of Report:

This report details the Council's review of its Council Tax Reduction Scheme and seeks approval that the scheme for 2022/23 should not be amended, apart from statutory changes the Council is required to make. In addition the report seeks approval to maintain the Council Tax Hardship Scheme in 2022/23.

Recommendations:

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

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.

Approve the amendments to the Council's Council Tax Support Scheme to accommodate the changes the Council is required to make by statute.

That the Council's Council Tax Hardship Scheme continues to operate as detailed in this report.

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>Tim Hardie</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	Executive Director who approved submission:	<i>Eugene Walker</i>
3	Cooperative Executive Member consulted:	<i>Cate Macdonald</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.	
	Lead Officer Name: <i>John Squire</i>	Job Title: <i>Policy & Support Manager</i>
	Date: 23 December 2022	

1. PROPOSAL

Legislation requires each Billing Authority to annually consider whether to revise or replace their Council Tax Reduction Scheme. The Council's scheme is referred to in this report as the Council Tax Reduction Scheme (CTRS) and the assistance provided under it, Council Tax Support (CTS). For that purpose, we have carried out a review of our CTRS.

This report sets out the background to the original decision on the design of our CTRS for 2013/14. It further provides an overview of the outputs from year 8 of the CTRS 2020/21 and the details from the review of the scheme in operation in year 9 2021/22. This review informed the report's proposals on whether to revise or replace the CTRS in 2022/23.

The report recommends that the Council maintains the current CTRS in its present form in 2022/23, except for any changes the Council is required to make by statute. The report also provides information on the assistance provided under the Council Tax Hardship Scheme and recommends that the scheme continues in 2022/23.

BACKGROUND

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 local Council Tax Reduction Scheme. The Government provided grant funding to the Council to finance the CTRS in 2013/14. The Council's funding was cut by approximately £5.5m, 10% below the level of subsidy it received to pay CTB 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 CTS recipients (and a small number of non-protected pensioners), amounting to a 23% cut.

After a consultation exercise, the Council decided that the design of its CTRS should align as closely as possible to the CTB scheme that it replaced but, unlike CTB, in order to manage the cut in funding, made the difficult decision to limit support offered to working-age customers to 77% of their net Council Tax liability. The same scheme has remained in place since 2013/14, other than changes required by statute.

Unlike CTB, CTS is not a benefit but a discount, and therefore an award of CTS reduces an individual's Council Tax liability. Collectively, the cost to the Council of the CTRS in any year is measured by the amount of Council Tax the Council foregoes, i.e. discounts granted and therefore cannot collect, under the scheme.

Caseload and cost of CTS

Funding for CTS is included in the overall grant 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 CTRS, is

sensitive to changes in Government funding. As 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 reviewing the CTRS each year, the Council needs to ensure it is able to meet the financial demands of that scheme throughout the year in question and be aware of the financial impacts this may have.

Since the introduction of CTS in 2013, other than during the height of the pandemic, there has been a continuous reduction in the CTS caseload. By way of example:

Date	Caseload
April 2013	60,000
April 2014	58,000
August 2014	56,000
April 2015	55,000
June 2016	53,100
July 2017	51,600
September 2018	50,262
November 2019	47,075
March 2020	46,273
November 2020	47,018
November 2021	45,370

Any change in caseload has an impact on the “cost” – the amount of Council Tax foregone - of the CTRS in each year, as does the rate by which Council Tax may increase from year to year. In 2022/23 the maximum increase in Council Tax implemented by the Council without triggering a referendum on the amount of the increase will be 3%. The table below shows the cost of the actual amount of Council Tax forgone for each year since 2013/14, together with a forecast cost for 2022/23, which is based on reducing caseload and the maximum Council Tax increase.

Year	Forecast Cost	Actual Cost
2013/14	£41m	£39.1m
2014/15	£37.5m	£37.4m
2015/16	£37.8m	£37.25m
2016/17	£37m	£37.2m
2017/18	£37.1m	£37.7m
2018/19	£39.6m	£39.1m
2019/20	£40.3m	£39.2m
2020/21	£39.3m	£39.5m
2021/22	£41.3m	£40.1m
2022/23	£41.3m	

This table shows that due to the overall decline in caseload since 2013 (notwithstanding the un-sustained increase in caseload that we saw in 2021/22), increases in Council Tax, including the more recent inclusion of the Adult Social

Care Precept, means that the estimated cost of the scheme on its present form in 2022/23 will be the same as the cost of the scheme in 2021/22, which was highest since the scheme was introduced. This needs to be seen in the context of significant cuts to the Council's funding from Central Government over this period.

Council Tax Collection Rates & Recovery

The table below shows an analysis of Council Tax collection rates over the 8 full financial years that CTS has been in place.

YEAR	OVERALL COLLECTION RATE	NON-CTS CASES	WORKING AGE CTS CASES
2013/14	93.70%	93%	65%
2014/15	94.04%	95.18%	67%
2015/16	94.33%	95.22%	69%
2016/17	94.41%	95.13	70.7%
2017/18	93.5%	94.22%	77.49%
2018/19	94.07%	94.07%	70.8%
2019/20	93.14%	93.63%	71.92%
2020/21	90.47%	91.13%	73.86%

This shows that since CTS was introduced in 2013/14 the collection rate amongst working age CTS recipients has increased at a greater rate than the overall collection rate. However, the collection rates for 2020/21 need to be viewed in the context of the impact of the pandemic, which has led to a reduction in the overall collection rate, whilst the increase in the collection rate for working age CTS recipients, can possibly be explained by the further reduction in Council Tax that the Council provided from the Government funded Council Tax COVID-19 hardship fund, where all working age households who received an award of CTS in 2020/21, received a further £150 reduction in their Council Tax.

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 significant degree of certainty and stability to the majority of those taxpayers when managing their finances.

However, due to the pandemic, and the Council's decision to temporarily suspend all Council Tax recovery action, it is now clear that the pandemic had a detrimental impact on the overall collection rate.

The table below details the number of summonses that have been issued to taxpayers in receipt of CTS.

YEAR	NUMBER OF SUMMONSES ISSUED TO CTS TAXPAYERS
2013/14	20,000
2014/15	17,000
2015/16	16,000
2016/17	13,185
2017/18	18,375
2018/19	16,700
2019/20	19,828
2020/21	0*
2021/22	0*

*Due to the pandemic, the Council suspended all recovery action, which meant that during 2020/21, the Council took no recovery action in respect of Council Tax arrears. Following the decision to recommence recovery action in 2021/22, due to the limited number of court dates available at the Magistrate's Court, the Council has prioritised recovery of Council Tax arrears from households who are not in receipt of CTS, and to date, no summonses have been issued in 2021/22 to households who are in receipt of CTS.

Options for design of our 2022/23 CTS scheme

One of the major changes to the welfare system has been the introduction of Universal Credit (UC). However, due to delays in the rollout of UC, and the impact of the pandemic, it is considered that it is not appropriate to change the CTRS as there is still an ongoing benefit of maintaining a scheme in 2022/23 whose design is aligned to the pension age element of CTRS (which we cannot make any changes to, and is based upon the old Council Tax Benefit (CTB) scheme), and Housing Benefit (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, particularly during the pandemic, 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 UC will interact with CTS will be a key factor in any redesign of our scheme. As the Government has yet to rollout the managed migration of our working age Housing Benefit caseload to UC, the full impact has yet to be felt. Further, whilst it is true that the pandemic has led to a significant increase in UC claims nationally, these are often made by claimants who are new to the benefit schemes, and it is still too early to evaluate the impact this has had on new CTS recipients' ability to meet their Council Tax payments. As such, there is a risk in making changes to our

CTRS for 2022/23 before the impact of the wider rollout of UC can be properly assessed.

- e. The Government, in the Autumn Statement, announced that the rollout of UC is intended to be complete by 2025, and also that they plan to migrate pension age HB claimants to a housing element included in Pension Credit, to be completed within 12 months of the completion of the rollout of UC. However, until this rollout is complete, there are benefits of maintaining a CTRS that is aligned with the working and pension age HB schemes, and making changes to the CTRS could lead to confusion, as we could effectively end up operating 2 different CTS schemes, in addition to the HB schemes.

The tables set out below show the potential cost of a scheme for 2022/23 and are based on the current CTS caseload but with differing levels of support, and a Council Tax increase of 3%. The tables also show the potential increase in arrears that may accompany any change in the level of support provided by the scheme. These figures are baselined against the current 77% scheme. The second table shows the weekly cost for CTS recipients, based on the cost for Band A properties.

Limit	Cost	Saving	Arrears	Increase in Arrears	Net saving
77%	£41.3m	N/a	£2.1m	N/a	N/a
75%	£40.7m	£0.6m	£2.3m	£0.2m	£0.4m
70%	£39.2m	£2.1m	£2.7m	£0.6m	£1.5m
65%	£37.7m	£3.6m	£3.1m	£1m	£2.6m

Limit	Single Person weekly	Single Person annually	Family weekly	Family annually
77%	£4.52	£235.88	£6.03	£314.51
75%	£4.92	£256.39	£6.56	£341.86
70%	£5.90	£307.67	£7.87	£410.23
65%	£6.88	£358.95	£9.18	£478.60

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.

Further, this analysis assumes no deterioration in the collection rate amongst working age CTS recipients, and whilst we have yet to fully review the impact the expansion of UC will have on the collection of Council Tax, there is a concern that the way UC is calculated, and paid, may have a detrimental impact on Council Tax collection.

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

These figures are baselined against the current 77% scheme and are based on the cost for Band A properties.

Limit	Cost	Increased Cost	Arrears	Reduction in Arrears	Net Increase
77%	£41.3m	N/a	£2.1m	N/a	N/a
80%	£42.2m	£1.1m	£1.8m	£0.3m	£0.8m
85%	£43.6m	£2.3m	£1.40	£0.8m	£1.5m
90%	£45.1m	£3.8m	£1m	£1.3m	£2.5m
100%	£48m	£6.7m	£0.2m	£2.2m	£4.5m

Limit	Single Person weekly	Single Person annually	Family weekly	Family annually
80%	£3.93	£205.12	£5.24	£273.49
85%	£2.95	£153.84	£3.93	£205.12
90%	£1.97	£102.56	£2.62	£136.74

Given the Council's current and ongoing financial situation any increase in the level of support comes at a significant cost, which could negatively impact the Council's ability to maintain funding of other vital services. 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 in addition to dealing with problems arising from the pandemic, are either also dealing with the ongoing impacts of historical cuts in other benefits or will be impacted by further welfare reform changes such as the issues related to the continued roll out of Universal Credit, as outlined above.

However, by continuing to maintain the same level of support provided by our CTRS since 2013, the Council is making a real and significant financial commitment to protecting the most financially vulnerable households in the City.

Ongoing impact of Universal Credit (UC)

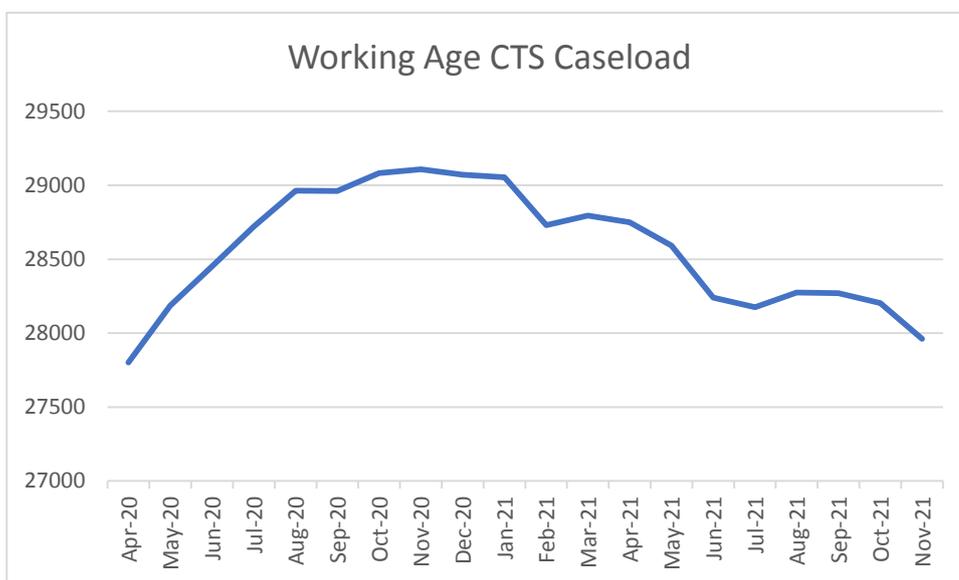
UC, which replaces six means tested benefits and tax credits with one benefit, was introduced in a limited way in Sheffield in January 2016, and the wider rollout commenced in November and December 2018, and meant that from December 2018, any new claim for any of the benefits that UC replaced (income based Jobseeker's Allowance, income related Employment and Support Allowance, Income Support, Housing Benefit, Child Tax Credit and Working Tax Credit) that the individual would have made, would be a claim for UC. This also meant that any claim for the legacy benefits that the individual was receiving would end, and the support they received would be met by UC.

Whilst the rollout of UC commenced in 2016, the rollout, pre-pandemic, hasn't been as quick as the Government anticipated, and as such, we are not yet in a position to fully understand how UC will interact with our CTRS, and the impact this will

have on the collection of Council Tax from CTS applicants who are in receipt of UC.

Further to this, the pandemic led to an increase in the number of CTS recipients who are in receipt of UC, the decision made by the Council to suspend all recovery action during 2020/21, and the phased introduction of recovery action during 2021/22 means that the Council hasn't taken any recovery action in respect of any household who is receiving CTS. This means that we don't yet have a clear understanding of how changes to UC interact with the CTRS, and if this is leading to the problems outlined above. As the Council recommences recovery action for households in receipt of CTS, we will ensure that we will review this to see if any trends are identified.

Analysis of the impact of UC on CTS caseload and council tax arrears is ongoing, and prior to the lockdown in March 2020, we were seeing a gradual decrease in the overall CTS caseload. Since the onset of the pandemic, we have seen an increase in unemployment and the number of people claiming UC, which led to an increase in our working age CTS caseload. As restrictions have been lifted we have seen the downward trend in our working age caseload return and the working age caseload is almost back to the same level it was, pre-pandemic:



Further to the above, there have been two recent major changes to the way UC is calculated which could mean that working age households see a reduction in the amount of CTS they receive:

- **The removal of the £20 uplift in UC**
In response to the pandemic, the Government increased the weekly rate of UC by £20, but from September 2021, this £20 uplift has been removed, with the rate of UC reverting to the pre-pandemic level. In some cases, the removal of the £20 uplift may mean that the UC claimant loses entitlement to UC, and where this happens, they may also lose entitlement to CTS due to the means test that the CTRS uses.
- **The changes to the UC earnings taper**
This change, which means that UC claimants get to keep more of their earned income, before their UC reduces, also means that they see an overall increase in the level of their income, which will lead to a reduction in their award of CTS. In some cases, this reduction in CTS, where the award was relatively small, may mean that they are no longer eligible to receive

CTS. This change has only just been introduced by the Government and the impact of this has yet to be felt.

Impact of Coronavirus

The lockdown had a detrimental impact on the Council's finances due to the significant additional duties that were being undertaken by the Council to support citizens during the pandemic. Further to this, the Council saw a significant reduction in income during this period, and it is unlikely that the full cost of this will be covered by Government. Reducing the amount of support provided through the CTRS could mitigate for this reduction in income. However, this cost would be borne by vulnerable citizens, some of whom are experiencing hardship as a result of the pandemic, and maintaining the scheme in its current form will continue to provide support to households who have been affected by the pandemic. In addition to the CTRS, through the Council Tax Hardship Scheme, we can further mitigate any hardship that is experienced by households because of their Council Tax costs.

There was a concern that the increases in job losses that were caused by the pandemic would lead to a sustained increase in the CTS caseload, and as detailed above, any increase in the CTS caseload increases the amount of Council Tax forgone, which comes at a cost to the Council. However, whilst we did see an increase in our working age CTS caseload during the height of the pandemic, the caseload has now almost returned to the pre-pandemic level. This could be seen to demonstrate that the CTRS works, by being able to provide support to households when they most need it.

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 therefore an effective method of providing support to those most directly affected by the introduction of CTS.

The funding for the scheme for 2021/22 is £1.8m. For 2022/23, 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.

It is recommended that the CTHS continues in 2022/23 with the level of funding to be determined when there is more certainty regarding the demand for support and the level of Council Tax to be set in 2022/23.

2. HOW DOES THIS DECISION CONTRIBUTE?

Maintaining the current CTRS 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 must pay.

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

3. HAS THERE BEEN ANY CONSULTATION?

Under the Local Government Finance Act 1992, where a billing authority decides to revise its Council Tax Reduction 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 the CTRS, apart for revisions referred to in the legal section, which the Council is statutorily required to make. Therefore, under the proposals, the preparation requirements do not apply and as such there is no requirement on the Council to consult.

Further, given the nature of the proposals, which is to continue with the CTRS and the CTHS unchanged, it was considered that there was no need to undertake a consultation process

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

Equality of Opportunity Implications

As a Public Authority, the Council have legal requirements under Section 149 of the Equality Act 2010. These are often collectively referred to as the 'general duties to promote equality' with particular regard to persons sharing the relevant protected characteristics-age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. We have considered our obligations under this duty, and due to the nature of the proposals consider that they do not raise equality issues under the duty. As such, it was considered that an Equality Impact Assessment was not necessary.

The provision of the CTHS in tandem with the CTRS 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 2013, the Council's CTRS 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 CTRS.

Financial and Commercial Implications

The funding for the CTRS has been subsumed within other elements of the Revenue Support Grant (RSG) formula and is no longer separately identifiable, and as such, it is not possible to quantify how much funding the Council receives for its CTRS.

However, based on current forecasting and allowing contingency for a small decrease in both caseload and a 2.99% increase in Council Tax, the Council will be able to maintain the current CTRS into 2022/23.

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 CTRS. The Council's review, detailed in this report complies with this requirement.

The 1992 Act provides that a billing authority's Council Tax Reduction Scheme must include proscribed matters set out in the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (the Regulations). As a consequence, the Council is required, without any exercise of discretion, to amend the CTRS, to reflect any changes made to the Regulations. The Government by statutory instrument has proscribed amendments to the Regulations in respect of Council Tax Reduction Schemes for 2022/23. This report includes a recommendation that the CTRS be changed to accommodate the amendments to the Regulations required by The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2022.

Under the 1992 Act, where a billing authority decides to revise or replace its Council Tax Reduction 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 or replace the Council's CTRS apart for revisions referred to above which it is required to make by statute. If the proposals are approved, the preparation requirements will not apply.

Under the 1992 Act, a decision to revise a billing authority's Council Tax Reduction 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, these proposals 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 Executive Member for Finance and Resources.

Other Implications

Human Resources Implications

Given the ongoing uncertainty of the longer term impact of the expansion of UC, it is considered that maintaining the current CTRS into 2022/23 is unlikely to have any significant, negative implications for staff who are involved with the administration of the scheme

Environmental Implications

No additional environmental implications are expected as a result of continuing with the current CTRS into 2022/23. 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

None

5. ALTERNATIVE OPTIONS CONSIDERED

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.

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 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 CTRS, 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.