



## Report to Policy Committee

**Author/Lead Officer of Report:**

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**Report of:** Philip Gregory, Director of Finance and Commercial Services  
**Report to:** Finance Committee  
**Date of Decision:** 16/10/2023  
**Subject:** Review of Sheffield's Council Tax Reduction Scheme

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? 2362				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input type="checkbox" value="n/a"/>
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:-				

**Purpose of Report:**

The purpose of this report is to provide the Committee with details of the Council's review of its Council Tax Reduction Scheme and seeks approval that the scheme for 2024/25 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 2024/25.

**Recommendations:**

The Finance Committee is recommended to:

- i. Note the review of the Council's Council Tax Reduction Scheme, detailed in this report.

- ii. Agree that, in line with the review, the Council's Council Tax Reduction Scheme is not revised, apart from the changes the Council is required to make by statute.
- iii. Approve the amendments to the Council's Council Tax Reduction Scheme to accommodate the changes the Council is required to make by statute.
- iv. Agree that the Council's Council Tax Hardship Scheme continues to operate as detailed in this report.
- v. Agree that officers begin a further detailed review of its Council Tax Reduction Scheme and bring a paper back to the Finance Committee in the new year to consider options for its 2025/26 scheme.

**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: Matt Ardern
	Legal: Nadine Wynter
	Equalities & Consultation: Ed Sexton
	Climate: n/a
<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>SLB member who approved submission:</b> Tony Kirkham, Interim Director of Finance and Commercial Services
3	<b>Committee Chair consulted:</b> Zahira Naz
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 Committee by the SLB member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.
	<b>Lead Officer Name:</b> Jon West
	<b>Job Title:</b> Senior Revenues and Benefits Manager
<b>Date:</b> 05/10/2023	

## **1. PROPOSAL**

- 1.1. Legislation requires each Billing Authority to annually consider whether to revise or replace their Council Tax Reduction Scheme (CTRS). The Council's scheme is referred to in this report as the Council Tax Reduction Scheme and the assistance provided under it, Council Tax Support (CTS). For that purpose, we have carried out a review of our CTRS.
- 1.2. The report recommends that the Council maintains the current CTRS in its present form in 2024/25, 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 2024/25.

## **1. BACKGROUND**

- 2.1. 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 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.
- 2.2. 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, 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.
- 2.3. 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.

### **Cost**

- 2.4. Specific, identifiable funding for CTRS has not been provided by the government since 2014.
- 2.5. Consequently, maintaining or increasing the level of support under the scheme comes at a real cost to the Council.
- 2.6. Therefore, when reviewing the CTRS, the Council needs to ensure it can meet the financial demands of the scheme throughout the year in question and be aware of the financial impacts this may have. 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.

### **Caseload**

- 2.7. Since the introduction of CTRS, caseload has reduced from 60,000 in 2013 to around 42,000 in 2023. Despite this, the cost of CTS has remained between £39 - 40m throughout largely due to the impact of annual increases in Council Tax.
- 2.8. Currently there are over 25,000 working age households receiving CTS and around 16,000 pension age households. The cost of CTS in 2023/24 is estimated to be £40m with over £22m awarded to working age households. The forecast for 2024/25 is around £41.8m if Council Tax were to increase by the maximum 5% and caseload remained static.

### **Council Tax Collection Rates & Recovery**

- 2.9. Table 1 below shows an analysis of Council Tax collection rates since 2013.

Table 1

<b>YEAR</b>	<b>OVERALL COLLECTION RATE</b>	<b>NON-CTS CASES</b>	<b>WORKING AGE CTS CASES</b>
2013/14	93.70%	93.0%	65.0%
2014/15	94.04%	95.18%	67.0%
2015/16	94.33%	95.22%	69.0%
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%
2021/22	90.42%	92.82%	68.98%
2022/23	92.00%	93.7%	72.4%

- 2.10. Since CTRS was introduced in 2013/14 the collection rate amongst working age CTS recipients has increased suggesting that most taxpayers in receipt of CTS are becoming increasingly familiar with the fact that they now have to pay part of their Council Tax liability - the consistent level of support providing valuable help with household budgeting.

### **Council Tax Hardship Scheme**

- 2.11. 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 CTRS.

- 2.12. The funding for the scheme for 2023/24 is £2.3m, of which £100,000 is provided by central Government. For 2024/25, 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.
- 2.13. It is recommended that the CTHS continues in 2024/25 with the level of funding to be determined in the annual budget setting process with a recommendation to be approved by full Council in March.

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

- 3.1. One of the goals of the Council's Our Sheffield Delivery Plan is Tackling inequalities and supporting people through the cost-of-living crisis. Maintaining the CTRS in its current means-tested format will help to achieve that goal as it will continue to spread the available support equitably across all eligible households and ensure that those with the greatest need continue to receive the greatest level of support. And by continuing the CTHS, the Council will be able to provide extra support for its most financially vulnerable citizens.
- 3.2. The Our Sheffield Delivery Plan also states that there needs to be a focus on ensuring the Council's financial stability and sustainability. 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.

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

- 4.1. 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.

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

### **Equality Implications**

- 5.1. 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.

5.2. 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.

5.3. 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**

5.4. 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.

5.5. However, based on current forecasting the Council will be able to maintain the current CTRS into 2024/25.

### **Legal Implications**

5.6. 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.

5.7. The 1992 Act provides that a billing authority's Council Tax Reduction Scheme must include prescribed 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 prescribed amendments to the Regulations in respect of Council Tax Reduction Schemes for 2024/25. 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 2023. The 2023 Regulations amend the prescribed requirements to increase certain of the figures which are used in calculating whether a person is entitled to a reduction and the amount of that reduction.

5.8. 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.

### **Climate Implications**

- 5.9. No additional environmental implications are expected as a result of continuing with the current CTRS into 2024/25. Self-service options will continue to be promoted reducing the need for paper forms and the need for claimants to travel to appointments.

### **Other Implications**

- 5.10. None

## **5. ALTERNATIVE OPTIONS CONSIDERED**

- 6.1. The Pensioner element of CTRS is prescribed by Government so cannot be changed by the Council. Consequently, the following options relate to the discretionary element of the scheme that provides support to Working Age households.

### **Changing the Cap on Liability**

- 6.2. Support offered to working-age customers is capped at 77% of their net Council Tax liability. Perhaps the simplest change we could make to our scheme would be to amend the 77% cap.
- 6.3. However, although a less generous cap would produce some savings for the Council it is highly likely that these would be offset by increased arrears, higher debt recovery administration costs and added pressure to the CTHS.
- 6.4. A more generous cap would come at a significant cost, which would negatively impact the Council's ability to maintain funding of other vital services.

### **Introduction of an Income Banded Scheme**

- 6.5. Under this scheme the level of support provided would be based on household income set between certain bands and could include variations on the level of reduction and the level of income in the income bands.
- 6.6. The advantages of this scheme include:
- 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.
  - It 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.

- It is less complex and easier for applicants to understand.

6.7. The disadvantages of this scheme include:

- It would require a software change that would come at a cost to the Council.
- 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-minimis income change**

6.8. Under this approach any change in income which resulted in a change in the award of CTS by a certain amount would be disregarded therefore would not result in a change to the level of CTS.

6.9. If we were to adopt this scheme, we would need to decide what level of changes in income would be de-minimis.

6.10. The advantages of this scheme include:

- 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 to those whose wages fluctuate each month.

6.11. The disadvantages of this scheme include:

- Although some people with an increase in their income would not lose support, others with a decrease in their income would not receive extra support.
- We are foregoing more Council Tax than we otherwise would.
- It would require a software change.
- Incorrect awards of CTS are granted if customers become confused about what changes in their income need to be reported.

### **Having a scheme which sets fixed assessment periods**

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

6.13. The advantages of this scheme include:

- 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.



6.14. The disadvantages of the scheme include:

- 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.

### **Maintaining the current scheme**

6.15. Maintaining the current scheme in 2024/5 continues to offer the following advantages:

- a. it is closely aligned to the Housing Benefit scheme and the statutory Pension Age CTRS
- b. 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.
- 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. It maintains consistency of support to working age CTRS households by not subjecting them to any changes in support that an amended scheme may bring. This provides valuable assurance at a time when the current cost of living crisis is placing an enormous strain on the finances of households in Sheffield.
- e. There is insufficient time to properly develop options for an alternative scheme in 2024/25, and consult and prepare for any system, administrative and staffing changes required.

6.16. Given the above advantages of maintaining the current scheme into 2024/25 the alternatives have been disregarded.

6.17. However, it is recommended that work starts now on developing options for an alternative scheme in 2025/26, to allow sufficient time for consultation and preparation for any required system, administrative and staffing changes should the Council decide to change its scheme.

## **6. REASONS FOR RECOMMENDATIONS**

- 7.1. 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.
- 7.2. 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 cost-of-living crisis. 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.
- 7.3. 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.
- 7.4. Given the current financial position of the Council, the Council is not able to introduce a more generous scheme in 2024/25.
- 7.5. 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.