**APPENDIX 1**

**Option 1: Maintaining the current scheme with £3.50 per week minimum payment**

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| **Advantages** | **Disadvantages** |
| * Working-age households receiving Universal Credit and in employment are particularly likely to see an increase in their level of CTS support. * No immediate requirement for specialist software. * Would enable a full and proper consultation to be carried out for a decision to be made on the scheme for the following financial year | * Costs will rise by 10.9% to £5.3M compared to the scheme in 2017/18. This is due to increases to CT liability (5.5% each year). \*\* * Self-employed, working-age households receiving Universal Credit will on average see big losses. * Due to the increased number of claims that would come from working-age households receiving Universal Credit, the volume of reassessments is expected to increase substantially. This will have a corresponding impact on administration costs, due to more frequent billing, notifications, and cause customer confusion. |

\*\*The major preceptors (LCC, Fire and Rescue and Police and Crime Commissioner) set the percentage increase requirement each year based on their budget requirements.

**Option 2: Reducing the minimum payment to £3.22/week**

This model introduces a number of small changes that should result in cost savings. These cost savings could then be used to reduce the minimum payment from the current level of £3.50. The changes are as below:

* Reducing the capital limit from £16,000 to £6,000
* Introducing a band cap at CT band D
* Applying the Minimum Income Floor (MIF) to all working-age, self-employed households. This means that self-employed households of working-age are assumed to have a certain level of earnings, with their CTR support determined on this basis, even if their actual earnings are lower.
* Flat-rate non-dependent deductions of £5 if the non-dependant is under 18 or is 18 and over and not in remunerative work, and £10/week if the non-dependant is 18 or over and in remunerative work.

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| **Advantages** | **Disadvantages** |
| * This scheme would have a cost of £5.18m   This is £342,000 more than current scheme costs and £187,000 less than retaining the current scheme into 2019/20.   * 175 working-age households currently receiving CTR support would lose it altogether. Due to this reduction in claim numbers a small administrative saving may be made. * Introduction of this model would enable the minimum payment to be reduced from the current £3.50/week to £3.22/week and retain costs at the level that they would be if the current scheme was continued into 2019/20. * The introduction of small changes spreads the impact across households. * Some working-age passported benefit claimants are better off compared to current levels of support. * Households in lower Council Tax bands and with savings under £6,000 are protected from 2 of the amendments in this model * These changes have minimal impact on those in receipt of out-of-work benefits. | * As for Option 1 above, due to the increased number of claims that would come from working-age households receiving Universal Credit, the volume of reassessments will still increase substantially. This will have a corresponding impact on administration costs, due to more frequent billing, notifications, and cause customer confusion. * This model will not protect against increased cost of administration following the rollout of Universal Credit Full Service. * Reassessment of claims will significantly increase * Households losing support due to the introduction of the minimum income floor, will not have a corresponding increase in income. * Self-employed households may face large reductions in support |

**Option 3: Determining CTS by sorting into basic income-bands**

This model calculates CTS by sorting into Income Bands. Household income is compared to 6 income-bands. A Council Tax discount is set for each income-band. The income bands are calculated so that the result is revenue-neutral to retaining the current scheme. Under this model CTS is calculated very differently from how it is currently.

The bands are as follows:

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| Band | Weekly income | % discount |
| 1 | All legacy passported/max UC | 85% |
| 2 | < £100 | 60% |
| 3 | £100 - £175 | 50% |
| 4 | £175 - £250 | 40% |
| 5 | £250 - £325 | 30% |
| 6 | £325 - £400 | 20% |

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| **Advantages** | **Disadvantages** |
| * This model would cost £5.34M. This is cost-neutral when compared to the current uprated scheme. * A banded scheme will result in cost savings in administration. Minimal changes within in a band would not require new billing information, resulting in less postage and bills and less confusion for customers as there is less likely to be multiple billing throughout the year. * Hardest-pressed households such as those on passported benefits are likely to be better off under this scheme. * The design of this banded scheme is somewhat successful in reducing the loss of support to some households, especially lone parents. * Self-employed households in receipt of Universal Credit do not face the Minimum Income Floor under this model. | * Employed households face an average loss in support compared to the current-uprated scheme. As such, this model does not support work incentives.      * Because couples with children are more likely to be employed and have higher earnings, they fall into lower support bands. * The lack of non-dependant deductions under this model means there is a need to find equivalent savings elsewhere, affecting all households (even if there are no non-dependants in the household). * Specialist software would be required for this option. |

**Option 4: Income-banded scheme determined by household size**   
This is an income-banded scheme where different income thresholds are used to determine the CTS for larger working-age households. Four additional changes are also introduced into this model.

* Reducing the capital limit from £16,000 to £6,000
* Introducing a band cap at CT band D
* Applying the Minimum Income Floor (MIF) to all working-age, self-employed households. This means that self-employed households of working-age are assumed to have a certain level of earnings, with their CTS determined on this basis, even if their actual earnings are lower.
* Flat-rate non-dependent deductions of £5 if the non-dependant is under 18 or is 18 and over and not in remunerative work, and £10/week if the non-dependant is 18 or over and in remunerative work.

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|  | **Weekly income** |  | **% discount (after the application of any other available discounts, e.g.**  **single person discount)** | |
| Band |  | Single Person | Couple no children | Families with children |
| 1 | £0 – £100 & passported/max UC) | 85% | 85% | 85% |
| 2 | £100 - £150 | 80% | 80% | 85% |
| 3 | £150 - £200 | Nil | 75% | 85% |
| 4 | £200 - £300 | Nil | Nil | 80% |
| 5 | £300 - £400 | Nil | Nil | 75% |

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| **Advantages** | **Disadvantages** |
| * The model would cost £5.28M.This is cost-neutral when compared to the current uprated scheme. * A banded scheme will result in cost savings in administration. Minimal changes within in a band would not require new billing information, resulting in less postage and bills and less confusion for customers as there is less likely to be multiple billing throughout the year. * Hardest-pressed households such as those on passported benefits are likely to be better off under this scheme. * Households with children would lose support, though less than under option 3. This is due to the especially high costs of these large families * Employed households see an average increase in support. Therefore this model supports work incentives | * Self-employed households would lose support, due to the application of the Minimum Income Floor. * Specialist software would be required for this option. |

**Option 5: Removing the £3.50/week minimum payment**

In this scheme, the £3.50/week minimum payment that every working-age household must make towards their Council Tax bill is removed.

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| **Advantages** | **Disadvantages** |
| * All working age households would gain more support compared to the current scheme. * Households in lower Council Tax bands would gain proportionally more support. These households are often on lower-incomes. | * The model would cost £5.9M. This is £541,000 more than if the scheme were left unchanged for 2019/20 resulting in a substantial loss of revenue for South Ribble Borough Council and major preceptors * Claim numbers would increase as more households gain eligibility * As for Option 1, due to the increased number of claims that would come from working-age households receiving Universal Credit, the volume of reassessments will still increase substantially. * Administration costs would increase under this option. This is firstly due to the number of reassessments increasing as households migrate onto Universal Credit, and secondly because working-age households that currently do not qualify for CTS may gain eligibility if the minimum payment is removed. This will have a corresponding impact of more frequent billing, notifications, and cause customer confusion. |