

## APPENDIX 1

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

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Working-age households receiving Universal Credit and in employment are particularly likely to see an increase in their level of CTS support.</li> <li>• No immediate requirement for specialist software.</li> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• 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). **</li> <li>• Self-employed, working-age households receiving Universal Credit will on average see big losses.</li> <li>• 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.</li> </ul>

\*\*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.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• 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.</li> <li>• 175 working-age households currently receiving CTR support would lose it altogether. Due to this reduction in claim numbers a small administrative saving may</li> </ul>	<ul style="list-style-type: none"> <li>• 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,</li> </ul>

<p>be made.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• The introduction of small changes spreads the impact across households.</li> <li>• Some working-age passported benefit claimants are better off compared to current levels of support.</li> <li>• Households in lower Council Tax bands and with savings under £6,000 are protected from 2 of the amendments in this model</li> <li>• These changes have minimal impact on those in receipt of out-of-work benefits.</li> </ul>	<p>notifications, and cause customer confusion.</p> <ul style="list-style-type: none"> <li>• This model will not protect against increased cost of administration following the rollout of Universal Credit Full Service.</li> <li>• Reassessment of claims will significantly increase</li> <li>• Households losing support due to the introduction of the minimum income floor, will not have a corresponding increase in income.</li> <li>• Self-employed households may face large reductions in support</li> </ul>
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### 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:

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%

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• This model would cost £5.34M. This is cost-neutral when compared to the current uprated scheme.</li> <li>• 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.</li> <li>• Hardest-pressed households such as those on passported benefits are likely to be better off under this scheme.</li> <li>• The design of this banded scheme is somewhat successful in reducing the loss of support to some households, especially lone parents.</li> <li>• Self-employed households in receipt of Universal Credit do not face the Minimum Income Floor under this model.</li> </ul>	<ul style="list-style-type: none"> <li>• Employed households face an average loss in support compared to the current-uprated scheme. As such, this model does not support work incentives.</li> <li>• Because couples with children are more likely to be employed and have higher earnings, they fall into lower support bands.</li> <li>• 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).</li> <li>• Specialist software would be required for this option.</li> </ul>

#### 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.

	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%

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• The model would cost £5.28M. This is cost-neutral when compared to the current updated scheme.</li> <li>• 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.</li> <li>• Hardest-pressed households such as those on passported benefits are likely to be better off under this scheme.</li> <li>• Households with children would lose support, though less than under option 3. This is due to the especially high costs of these large families</li> <li>• Employed households see an average increase in support. Therefore this model supports work incentives</li> </ul>	<ul style="list-style-type: none"> <li>• Self-employed households would lose support, due to the application of the Minimum Income Floor.</li> <li>• Specialist software would be required for this option.</li> </ul>

### 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.

Advantages	Disadvantages
<ul style="list-style-type: none"><li>• All working age households would gain more support compared to the current scheme.</li><li>• Households in lower Council Tax bands would gain proportionally more support. These households are often on lower-incomes.</li></ul>	<ul style="list-style-type: none"><li>• 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</li><li>• Claim numbers would increase as more households gain eligibility</li><li>• 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.<ul style="list-style-type: none"><li>• 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.</li></ul></li></ul>