

Appendix 1

SOUTH RIBBLE BOROUGH COUNCIL COUNCIL TAX REDUCTION SCHEME MODELLING



25 JANUARY 2019

Appendix 1

TABLE OF CONTENTS

CONTENTS	Page
Executive Summary	3
Key Findings	5
1.0 Comparison of Models	6
2.0 Introduction	11
2.1 Background and Objectives	11
2.2 Methodology and Approach	11
2.3 Current Scheme	12
3.0 Maintaining Current Scheme into 2019/20	13
4.0 Option 2 Income Banded Scheme with 100% maximum support	16
4.1 Cost	17
4.2 Impact Analysis	18
4.3 Distributional Impact	20
5.0 Option 3 Current Scheme with no minimum payment	22
5.1 Cost	22
5.2 Impact Analysis	23
5.3 Distributional Impact	24
6.0 Option 4 Income Banded Scheme with 85% maximum support	26
6.1 Cost	27
6.2 Impact Analysis	28

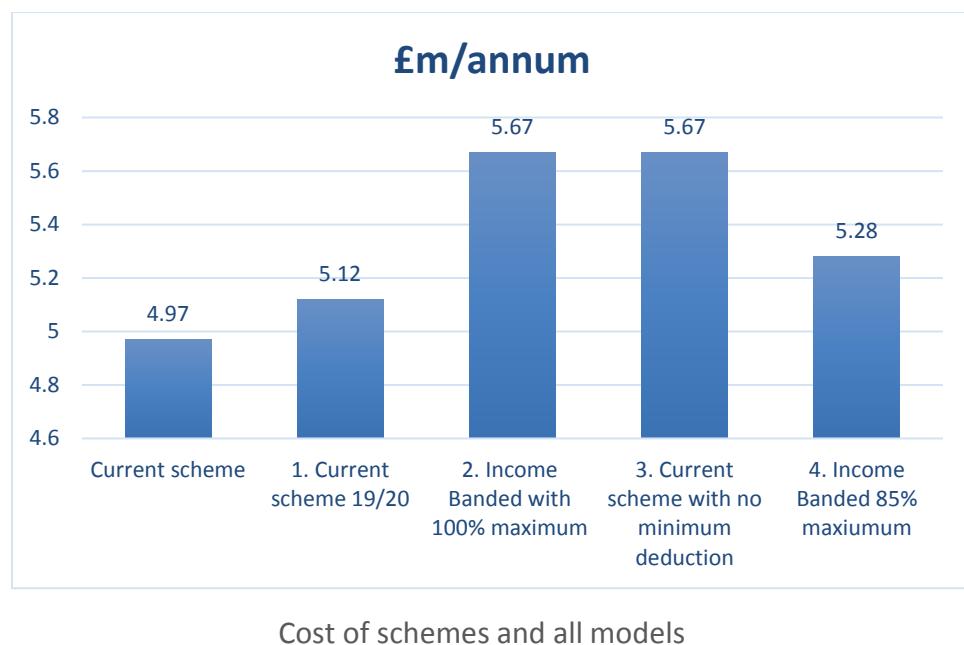
Appendix 1

EXECUTIVE SUMMARY

This report presents the findings that result from modelling two further council tax support schemes on behalf of South Ribble Borough Council for consideration to consult upon in 2019/20..

Policy in Practice had already modelled, and reported on, four different council tax support schemes for South Ribble Borough Council. These initial models were used to examine scheme options and to enable members to decide on schemes for consultation. Following announcements by Central Government in the Autumn Budget regarding Universal Credit, the council decided to make amendments to two of the options in order to take account of those changes. In addition, the council wished to use the most up to date data available to reflect caseload and spend for 2019/20.

The figure below shows the annual cost of the current scheme, the current scheme uprated to 2019/20, one of the initial schemes modelled and two further options.



Cost of current scheme, current scheme uprated to 2019/20, and all models, £M/annum

Option 1 is the current scheme costed for 2019/20 retaining the £3.50 per week minimum deduction for working age claimants.

Option 2 is an income-banded scheme which varies by household composition. Based on weekly income and household type, households are sorted into bands with corresponding award levels. This banded option has a 100% maximum award for the lowest income band.

Option 3 is based on the current scheme. The only change has been to remove the £3.50 weekly minimum payment which claimants are expected to contribute towards their liability.

Appendix 1

Option 4 is the original modelled income-banded scheme which varies by household composition. Based on weekly income and household, households are sorted into bands with corresponding award levels. This banded option has a maximum award of 85% for the lowest income band. Details of this original banding work are included at the end of this report.

Appendix 1

Key Findings

Option 2 Income Banded Scheme with 100% maximum award for lowest income band

This model would cost £5.7M per annum. This is £0.7M more than the current cost (2018/19) and £0.5M more than the cost of retaining the current scheme into 2019/20.

The caseload would reduce by 215 households.

175 households (5.8% of the caseload) would lose more than £5 per week, while 361 households (12.0%) would gain over £5 per week.

Compared to retention of the current scheme, couples gain the least. Couples with children would see a slight reduction in support of 0.9%, while couples with no children would see an increase of 4.6%. In comparison, single and lone parent households would see an increased award, of 20.4% and 29.5% respectively.

Self-employed households would see the greatest reduction in award, of 49.6%. This is due to the application of the Minimum Income Floor to both those in receipt of Universal Credit and those remaining in the legacy benefit system.

Option 3 Current Scheme with no minimum payment (removal of £3.50 charge)

This model would cost £5.67M. This is £0.79M more than current scheme costs (2018/19) and £0.6M more than retaining the current scheme in 2019/20.

The caseload would not reduce. However, some households who are currently excluded by the £3.50 per week minimum payment may become eligible for an award of up to £3.50 per week.

We are not able to accurately calculate the number of households who would gain eligibility due to lack of visibility.

43 households (1.4%) would lose more than £5 per week, when compared to the current scheme. This is due to increases in the National Minimum Wage, which would increase household income and so reduce the award.

107 households would gain over £5 per week. This is 3.6% of the working-age caseload.

Compared to retention of the current scheme in 2019/20, employed households would gain 38.0% on average. This is higher than self-employed (24.9%) and out-of-work (20.5%) households.

Appendix 1

1.0 COMPARISON OF MODELS

	Option 2 Income-banded scheme	Option 3 Current scheme with no minimum payment
Cost	<p>This model costs £5.7M.</p> <p>This is £0.70M more than the current cost (2018/19) and £0.46M more than the cost of retaining the current scheme into 2019/20.</p>	<p>This model costs £5.67M.</p> <p>This is £0.79M more than current scheme costs (2018/19) and £0.55M more than retaining the current scheme in 2019/20.</p>
Administration	<p>Increases to administrative costs as more households move to Universal Credit would be tempered by this scheme, as re-assessments would be required only when income crosses bands.</p>	<p>Administrative costs are likely to increase as more households migrate to Universal Credit due to the increase in expected reassessments of due to income changes.</p>
Claim numbers	<p>215 households lose support altogether. This is 7.1% of the current working-age caseload.</p>	<p>No households would lose eligibility, though some would likely gain due to the removal of the minimum payment.</p>
Political and social impact	<p>175 households would lose over £5 per week. This is 5.8% of the current working-age caseload.</p> <p>361 households (12.0%) gain more than £5/week.</p> <p>This model supports vulnerable households such as those living with disability, carers and those on ESA.</p>	<p>43 households would lose more than £5/week, this is 1.4% of the current working age caseload.</p> <p>107 households (3.6%) would gain more than £5/week.</p> <p>This model supports vulnerable households such as those living with disability, carers and those on ESA.</p>
Distributional impact	<p>Average change in support is 23.7%. Groups that lose are:</p> <ul style="list-style-type: none"> • Self-employed households (-49.6%) • CT bands E and above (-30.2%) • Couples with children (-0.9%) 	<p>Average change in support is 27.6%. Groups that gain most are:</p> <ul style="list-style-type: none"> • Employed households (38.0%) • Self-employed households (25.1%) • Lone parents (25.7%)

Appendix 1

Comparison of weekly support (£/week)

Comparison of council tax support (£/week)				
	Current scheme 2018/19	Current scheme in 2019/20	Option 2	Option 3
All working age	£14.77	£15.45	£18.28	£18.95
Legacy benefits	£14.77	£15.67	£18.20	£19.17
Universal Credit	N/A	£14.12	£18.74	£17.62
Band				
A	£13.32	£13.97	£17.30	£17.47
B	£15.43	£15.96	£19.03	£19.46
C	£16.91	£17.40	£19.82	£20.90
D	£20.84	£20.97	£22.10	£24.47
EFGH	£24.79	£25.46	£17.78	£28.96
Tenure type				
Private tenant	£6.85	£14.25	£17.09	£17.75
HA tenant	£14.58	£17.25	£18.47	£18.78
Owner occupier	£8.11	£16.57	£19.09	£20.07
Household type				
Single	£14.34	£15.14	£18.22	£18.64
Lone Parent	£13.34	£13.62	£17.64	£17.12
Couple no children	£20.60	£21.31	£22.29	£24.81
Couple with children	£17.77	£18.35	£18.18	£21.85

Appendix 1

Economic status				
Employed	£9.86	£9.22	£12.86	£12.72
Self-employed	£14.59	£14.07	£7.09	£17.57
Out-of-work benefits	£16.13	£17.12	£20.55	£20.62
Barriers to work				
Lone parents with child u5	£13.95	£14.33	£17.75	£17.83
ESA	£16.47	£17.38	£20.44	£20.88
DLA/PIP	£15.92	£16.64	£18.98	£20.14
Carers	£18.64	£19.58	£22.04	£23.08

Appendix 1

Comparison of take-home income (£/month)

Comparison of take home income (£/month)				
	Current scheme 2018/19	Current scheme in 2019/20	Option 2	Option 3
All working age	£1,495.41	£1,504.18	£1,583.68	£1,586.24
Legacy benefits	£1,495.41	£1,513.97	£1,592.85	£1,597.02
Universal Credit	N/A	£1,447.30	£1,527.76	£1,520.50
Band				
A	£1,385.95	£1,393.53	£1,468.48	£1,469.21
B	£1,602.61	£1,612.90	£1,695.35	£1,697.21
C	£1,645.46	£1,655.03	£1,740.90	£1,745.57
D	£1,714.88	£1,743.35	£1,839.13	£1,849.38
EFGH	£1,559.71	£1,554.80	£1,631.83	£1,680.27
Tenure type				
Private tenant	£1,712.27	£1,718.55	£1,792.61	£1,795.46
HA tenant	£1,521.99	£1,518.61	£1,598.63	£1,599.97
Owner occupier	£1,228.59	£1,263.84	£1,346.54	£1,350.81
Household type				
Single	£1,123.27	£1,121.62	£1,200.58	£1,202.38
Lone Parent	£1,747.41	£1,769.19	£1,845.62	£1,843.36
Couple no children	£1,408.04	£1,414.01	£1,510.61	£1,521.52
Couple with children	£2,218.35	£2,230.15	£2,308.95	£2,324.84

Appendix 1

Economic status				
Employed	£1,894.27	£1,932.10	£1,987.82	£1,987.20
Self-employed	£1,628.79	£1,605.68	£1,636.39	£1,681.80
Out-of-work benefits	£1,376.62	£1,380.07	£1,469.13	£1,469.41
Barriers to work				
Lone parents with child u5	£1,756.08	£1,784.36	£1,861.28	£1,861.60
ESA	£1,497.80	£1,491.05	£1,579.63	£1,581.51
DLA/PIP	£1,801.61	£1,192.36	£1,274.61	£1,279.62
Carers	£1,888.69	£1,884.00	£1,979.51	£1,984.02

Appendix 1

2.0 INTRODUCTION

2.1 Background and Objectives

South Ribble Borough Council is looking at replacing its current Council Tax Reduction Scheme in 2020/21.

Policy in Practice had already modelled, and reported on, four different council tax support schemes for South Ribble Borough Council. These initial models were used to examine scheme options and to enable members to decide on schemes for consultation. Following announcements by Central Government in the Autumn Budget regarding Universal Credit, the council decided to make amendments to two of the models in order to take account those changes. In addition, the council wished to use the most up to date data available to reflect caseload and spend for 2019/20.

This report provides the results of modelling Options 2 and 3

- Option 2 is an income-banded scheme, based on household composition.
- Option 3 is based on the current scheme, with the £3.50 per week minimum CT payment removed.

Option 4 was one of the original models considered in an earlier report and the details are included in this report for comparison purposes.

2.2 Methodology & Approach

Modelling is at the household level. Household data on current claimants was supplied to Policy in Practice in the form of an extract with personal data excluded. This data is converted to a format that can be used by their software, The Universal Benefits and Budgeting Calculator (UBBC). The calculation engine enables global changes in benefit formulations, and modelled changes to be applied to each household within the dataset. These are then summed up to arrive at the aggregate cost and impacts of each scheme.

To enable comparison of modelled schemes against the current scheme in 2019/20, an agreed annual increase in council tax has been included. The rate of council tax increase used is 5%.

An agreed level of migration to Universal Credit is also included. Modelling will include a migration of 15% of claimants to Universal Credit by 2019/20. This migration level has been agreed with the council and is in line with the rates of migration observed in full-service Jobcentre Plus areas.

For each model, the following impacts are shown:

- Social impact compares support to current levels in order to inform monetary loss and gain of support.

Appendix 1

- Distributional impact provides a comparison to retention of the current scheme in the year that is being modelled. This informs an understanding of those groups that would gain or lose support if the model were to be adopted. This takes account of changes in the National Living Wage and personal tax allowances, Council Tax increases and Universal Credit migration.

Initial data analysis of the current scheme and the current scheme in 2019/20 have been undertaken for comparative purposes.

2.3 Current scheme

In 2018/19, 5,814 households received council tax support in South Ribble. Changes in council tax support will only affect the 3,011 working-age households. The 2,803 pension-age households will continue to be provided with maximum protection offered by the default council tax support scheme.

Cost of current scheme by age group			
Age group	Number of households	CTR (£/annum)	CTR (£/week)
All working age	3,011	£2,312,752	£14.77
Pension age	2,803	£2,655,275	£18.22
Total	5,814	£4,968,027	£16.43

The average council tax support for working-age households in 2018/19 is £14.77/week. Pension-age households receive an average £18.22 per week.

Appendix 1

3.0 MAINTAINING CURRENT SCHEME INTO 2019/20

If the current scheme were retained into 2019/20, the number of working-age households receiving council tax support would remain similar to 2018/19 with only 44 households losing support.

Maintaining the current scheme into 2019/20 would increase costs from £5.0M in 2018/19 to £5.2M in 2019/20. This is an increase in cost of £0.2M or 4.9%. As South Ribble will change the non-dependent deductions in line with those prescribed for the pension-aged scheme in 2019, the cost of the current scheme in 2019/20 will be £5.12M**

Annual CTR in current-uprated scheme into 2019/20		Annual CTR in current-uprated scheme, compared to current scheme	
Group	£/annum	Change (£/annum)	Change (%)
All working age	£2,402,791	£106,107	4.6%
Pension age	£2,806,334	£151,059	5.7%
Total	**£5,225,193	£257,166	5.2%

Maintaining current system into 2019/20: Annual cost

Costs would increase by 5.7% for pension age households and 4.6% for working-age households.

Average weekly support for working-age households in 2019/20 is £0.68/week more than current levels. Households in receipt of legacy benefits see a 6.0% rise in support (£0.89/week) whilst those in receipt of Universal Credit see a 4.3% decrease (£0.64/week). The decrease for households moving to Universal Credit is due to the increased retention of earnings and changes in the assessment procedure for households in receipt of Universal Credit.

In comparison, support for pension-age households is likely to increase by £1.04/week (5.7%).

Appendix 1

Average weekly CTR awarded in current-uprated scheme, compared to current scheme			
Group	Upated current scheme (£/week)	Change (£/week)	Change (%)
All working age	£15.45	£0.68	4.6%
<i>UC Legacy benefits</i>	£14.12	-£0.64	-4.3%
	£15.67	£0.89	6.0%
Pension age	£19.25	£1.04	5.7%
Total	£17.28	£0.85	5.2%

Maintaining current system into 2019/20: weekly support levels

Social and Political Impact of maintaining the current scheme into 2019/20

If the current scheme were maintained into 2019/20, working-age households would see a slight increase in support of 4.6%. This takes account of the council tax increases between 2018/19 and 2019/20 (5%) and so represents a small real reduction in average support. In general, a reduction in support is expected due to the increase in the minimum wage, and lower council tax support under Universal Credit. This is particularly the case for the self-employed where the minimum income floor is applied.

Two groups in receipt of Universal Credit will be particularly negatively affected. These are working households and those in receipt of DLA/PIP and working.

Households in employment

Working households in receipt of Universal Credit (424 households) will receive lower council tax support. This reflects the increased income through rises in the National Living Wage and the retention of a higher proportion of earnings under Universal Credit. The retention of 37% of earnings under Universal Credit means that no employed households will have income for assessment below maximum Universal Credit and so receive maximum support. Many of these low-earning households would have received maximum support under legacy benefits. Although this group will see lower council tax support, this may be balanced by higher earnings for a large proportion of this group. Many will therefore see household income remain roughly the same.

By 2019/20, the average employed household migrating to Universal Credit (424 households) would receive £6.78/week in council tax support, a 35.8% reduction. Employed households in receipt of legacy benefits in 2019/20 will receive £10.21/week on average.

Appendix 1

Self-employed households moving to Universal Credit (21 households) will lose 69.6% support, with average council tax support reduced to £3.87/week. In comparison, those remaining in receipt of legacy benefits support rises by 7.5% to £16.00/week.

Households with children are more likely to be in work than households without children. The loss of support for working households in receipt of Universal Credit will therefore have an impact on families. Couples with children who claim UC lose 7.3% support and lone parents 7.7% support.

Households in receipt of disability benefits and working

Households in receipt of disability benefits and working will face a reduction in council tax support due to the higher retention of earnings under Universal Credit, which, unlike other employed households in receipt of Universal Credit, may not be balanced by a greater take-home income. This is because, under Universal Credit, additions to reflect costs of disability are removed (disability premiums), meaning that these households' take-home income is typically lower than under the current system.

Effectively, the few households working and in receipt of disability benefits are hit twice by a reduction in council tax support and a reduction in take-home income overall. If the current scheme is retained through to 2019/20, these households will face a reduction in weekly council tax support of 4.0%. Non-working disabled households in receipt of Universal Credit will be protected, as they will still receive maximum support. This is shown in the graph below.

Appendix 1

4.0 OPTION 2: INCOME-BANDED SCHEME WITH 100% MAXIMUM SUPPORT

Option 2 is an income-banded scheme, with increased awards for those in the most generous band.

Depending on both weekly income and household type, households will be sorted into the following income bands:

Weekly income	% discount		
	Single person	Couple no children	Families with children
£0 – £100 & passported/max UC)	100%	100%	100%
£100 - £150	75%	75%	85%
£150 - £200	Nil	65%	85%
£200 - £300	Nil	Nil	75%
£300 - £400	Nil	Nil	65%

Characteristics:

- Households in receipt of passported legacy benefits or maximum Universal Credit are automatically sorted into the highest support band,
- The Minimum Income Floor applies to all households who have been self-employed for over 12 months. The Minimum Income Floor applies an assumed level of income to those who report low earnings,
- The savings limit is reduced to £6,000 (from £16,000),
- A band cap is introduced at the liability of a band D property, meaning households in a property banded E or higher will have their support calculated on that of a band D property,
- Flat-rate non-dependent deductions have been set at £5/week for those not in work and £10/week for those who are working.

Appendix 1

4.1 Cost

Annual Cost

Group	Option 2 cost £/annum	Comparison to cost of current scheme		Comparison to uprated current scheme cost	
		Change (£/annum)	Change (%)	Change (£/annum)	Change (%)
All working age	£2,861,970	£549,218	23.7%	£443,111	18.2%
Pension age	£2,806,334	£151,059	5.7%	£0	0.0%
Total	£5,668,304	£700,277	14.1%	£443,111	8.5%

Option 2: Total cost of model (£/annum)

This model would cost £5,668,304 annually. This is £459,179 higher than projected costs of the current scheme in 2019/20. Costs for working-age households would be 23.7% higher than current costs.

Weekly council tax support

Group	Average household support £/week	Comparison to cost of current scheme		Comparison to uprated current scheme cost	
		Change (£/week)	Change (%)	Change (£/week)	Change (%)
All working age	£18.28	£3.51	23.7%	£2.83	18.3%
UC	£18.74	£3.98	27.0%	£4.62	32.7%
Legacy benefits	£18.20	£3.43	23.2%	£2.54	16.2%
Pension age	£19.25	£1.04	5.7%	£0.00	0.0%
Total	£18.75	£2.32	14.1%	£1.47	8.5%

Option 2: Average weekly council tax support £/week

Under this model average support for working-age households would increase by £3.51/week (23.7%) from current support levels to £18.28/week.

Households in receipt of Universal Credit would see slightly higher support (£18.74/week) than those in receipt of legacy benefits (£18.20/week).

Appendix 1

Claim numbers

Under this model 215 households, 7% of the current working-age caseload, would no longer be eligible for support.

It should be noted that areas in which the roll-out of Universal Credit is more advanced, councils are experiencing a drop in council tax claims of about 10%. This is because of the claim process not highlighting the need to make an additional claim for council tax support. The DWP is intending to rectify this and so this reduction in claims may be short-term. South Ribble may wish to keep this under review.

4.2 Impact analysis

Households losing eligibility

215 households lose support altogether under this model, this is 7% of the caseload.

20.9% of couples with children would lose eligibility, compared to just 4.2% of lone parents. This is because high earners lose out under this model, and non-dependant deductions have increased. Couples with children are proportionally more likely to both work and to have non-dependants. Some of these households will currently receive low-level support. The combination of these two measures will take these households out of support altogether.

Lone parent households and lower earning couples with children are positively affected by the extra support to households with children under the model.

Households no longer eligible for Council Tax Support, by household type			
Household type	On legacy benefits	On UC	All working households
Single person	65	8	73
Lone parent	45	2	47
Couple no children	19	7	26
Couple with children	65	4	69
Total	194	21	215

Option 2: household likely to lose eligibility, by household type

Only 27 households in receipt of out-of-work benefits lose all support and this is likely to be due to the change to non-dependant deductions under this model. This compares to 188 working households (16.3% of all employed households and 55.7% of all self-employed households) who would lose all support.

Appendix 1

Households no longer eligible for Council Tax Support, by economic status			
Economic status	On legacy benefits	On UC	All working households
Employed	88	12	100
Self-employed	80	8	88
On out of work benefits	26	1	27
Total	194	21	215

Households losing more than £5/week

175 households lose more than £5/week, or 5.8% of the working-age caseload. The likelihood of losing more than £5/week is greater for those in higher council tax bands and self-employed households in receipt of Universal Credit.

Households in properties in CT bands E and above are affected by the introduction of a band cap at Band D. 50% of households in receipt of Universal Credit in bands E and above will lose more than £5/week compared to just 2% in Band A

Self-employed households are also highly likely to lose this amount due to the introduction of the Minimum Income Floor for both Universal Credit and legacy benefit claimants.

Larger households are more likely to lose more than £5/week. This is due to greater likelihood of employment in households with children, as well as higher earned income for couples, and higher nondependent deductions for households in properties falling into higher council tax bands.

Households gaining £5/week

361 households (12.0% of the working age caseload) would gain over £5/week. These are primarily low earning households with children who are in receipt of Universal Credit.

25.5% of lone parents in receipt of Universal Credit would gain over £5/week.

Households with barriers to work

Under Option 2, households with barriers to work benefit:

Households in receipt of disability benefits (DLA/PIP) see average support increase from £15.83 to £18.98. Households in which somebody is a carer, see average support levels rise from £18.64 to £22.04.

Households in which somebody is too ill to work (i.e. in receipt of ESA or the equivalent) see support levels fall rise on average from £16.47 to £20.44.

Appendix 1

4.3 Distributional impact

This section examines the groups that would be better or worse off compared to retaining the current system into 2019/20.

Council tax band

Households in council tax band E or above would lose 35.2% of their average award under Option 2. This is due to the band D cap, which means that those in higher bands would have their award calculated on the liability of a band D property.

All other council tax bands would gain on average. Band A households would gain the most on average, 23.5%.

Tenure

This model benefits tenants more than owner-occupiers. Social tenants are particularly benefited, seeing an increase in support of 21.1% compared to retention of the current scheme into 2019/20.

Household composition

Households with greater likelihood of work will benefit the least under this model. These are households made up of a couple, with or without children. Couples with children would lose 0.9% of their average support.

Lone parents would see the greatest gains, 26.7%. Although lone parents have a high rate of earnings, this is offset by the higher income thresholds for households with children. This measure benefits couples with children to a lesser extent due to higher combined earnings than lone parents.

Economic status

Employed households would gain the most under this model, 33.4%. This is because each income-band captures a wide set of earning households, whereas the current system tapers income exactly. As with most income-banded schemes, low-income employed households' benefit, while higher earners lose support.

Households in receipt of out-of-work benefits would also gain (20.1%). Many of these households would fall into the most generous band.

Self-employed households would lose substantial support, 51.1%. This is due to the introduction of the Minimum Income Floor to all self-employed households, including those in receipt of legacy benefits.

Appendix 1

Benefit system

This model has a more positive impact on households in receipt of Universal Credit than those in receipt of legacy benefits. Universal Credit claimants would gain an average 32.7%, compared to 16.2% for legacy benefit claimants.

Households in receipt of Universal Credit would also have a slightly higher average award (£18.74) compared to those in receipt of legacy benefits (£18.20).

Barriers to work

The model supports households with barriers to work:

- Households in receipt of DLA or ESA see support increase by 14.09%,
- Households in which someone is a carer see support increase by 12.56%.

5.0 OPTION 3: CURRENT SCHEME WITH NO MINIMUM PAYMENT

Option 3 is based on the default scheme but with the following amendments:

- The £3.50 weekly minimum payment has been removed, which means each household is assessed with a 100% maximum support level
- Standard earnings disregards are applied to all those in receipt of both legacy benefits and Universal Credit.

The rest of the scheme remains the same:

- 15% of the cohort are randomly selected to migrate over to Universal Credit, as in the current uprated scheme and Option 2,
- Capital is assessed in line with the current uprated scheme for both UC and non-UC households.

5.1 Cost

Annual Cost

	Option 6 cost	Comparison to current scheme cost		Comparison to uprated current scheme cost	
Group	(£/annum)	Change (£/annum)	Change (%)	Change (£/annum)	Change (%)
All working age	£2,966,861	£654,109	28.3%	£548,002	22.7%
Pension age	£2,806,334	£151,059	5.7%	£0	0.0%
Total	**£5,773,195	£805,168	16.2%	£548,002	10.5%

Option 3: Total cost of model (£/annum)

This model would cost £5.8M. This is £0.81M more than current scheme costs and £0.55M more than the current scheme in 2019/20 (10.5% increase). As South Ribble will uprate working-age non-dependent deductions in line with those prescribed for the pension-aged scheme in 2019/20, Option 3 would cost £5.68M **

It is not possible to accurately predict the increased caseload under this model, or the attached cost implications, due to lack of visibility of those who would gain eligibility for the first time. This includes owner-occupiers who are not held in the extract provided.

Appendix 1

Weekly council tax support

All households	Average household support	Comparison to current scheme cost		Comparison to uprated current scheme cost	
		Change (£/week)	Change (%)	Change (£/week)	Change (%)
Group	(£/week)	Change (£/week)	Change (%)	Change (£/week)	Change (%)
All working age	£18.95	£4.18	28.3%	£3.50	22.7%
UC	£17.62	£2.86	19.4%	£3.50	24.8%
Legacy benefits	£19.17	£4.39	29.7%	£3.50	22.4%
Pension age	£19.25	£1.04	5.7%	£0.00	0.0%
Total	£19.10	£2.66	16.2%	£1.81	10.5%

Under this model average support for working-age households would increase by £4.18 (28.3%) from current support levels to £18.95/week. This is £3.50/week higher than the current uprated average, due to the removal of the minimum payment.

Households in receipt of Universal Credit receive lower support (£17.62/week) than those in receipt of legacy benefits (£19.17/week).

Claim numbers

Under this model the caseload would not reduce. There would be an increase of claimants eligible for small awards (up to £3.50 per week) due to the removal of the minimum payment.

However, this increase cannot be calculated using the current datasets. Owner-occupiers who would gain eligibility are not visible in either the SHBE or the CTR datasets. All but 7 cases held only in the SHBE dataset sent to Policy in Practice did not include their housing benefit award or rent, which makes modelling their potential eligibility impossible.

5.2 Impact analysis

Households losing eligibility

No households would lose eligibility.

Appendix 1

Households losing more than £5/week

43 households lose more than £5/week compared to the current scheme in 2018/19. This is 1.4% of the current working-age caseload. This is due to uprating changes to 2019/20, rather than scheme change.

Households gaining £5/week

107 households (3.6%) gain more than £5/week when compared to the current scheme in 2018/19. This is also influenced by uprating changes, along with the extra £3.50 per week awarded to each household.

5.3 Distributional impact

This section examines the groups that would be better or worse off under Option 3 in comparison with retaining the current system into 2019/20.

The main groups that would gain significantly compared to retention of the current model are:

- Employed households (38.0%)
- Lone parents (25.7%)
- CT band A (25.1%)
- Households with a child under 5 (24.4 %.)

Council Tax bands

Households in lower council tax bands gain proportionally more than those in higher bands. Band A households would gain 25.1% on average, compared to just 13.8% among households in bands E and above. This is because the £3.50 weekly amount makes up a larger proportion of a band A CT liability than that of a band E.

Tenure

This model affects tenants more than owner occupiers. Private tenants would benefit in particular, with an average 24.6% increase.

Household composition

Single adult households would gain the most under this model. Lone parents would gain 25.7% on average, compared to 23.1% for single households.

Appendix 1

Economic status

Households in work would gain the most under this model. Employed households would see a 38.0% increase, while self-employed households would see a 24.9% increase. This is due to the fact that these households are more likely to be impacted by the taper rate which lowers an earning household's award. As a result, the £3.50 weekly minimum payment represents a higher proportion of their award than for out of work households.

Benefit system

Households in receipt of Universal Credit would see a higher increase in support than households in receipt of legacy benefits. Those claiming Universal Credit would gain 26.1% on average, while those claiming legacy benefits would gain 22.3%.

Barriers to work

Households with barriers to work would all gain higher levels of support under Option 3 than under the current uprated scheme. Households with a child under 5 would gain the most of any group, with an average increase of 24.4%. Meanwhile, households with caring responsibilities would see the lowest rate of increase, at 17.9% on average.

Appendix 1

6.0 Option 4: INCOME-BANDED SCHEME VARYING BY HOUSEHOLD TYPE

Option 4: Income-banded scheme varying by household type

Under this model, household income is calculated and compared to bands, each with a corresponding level of support. The level of support offered under each income band differs by household composition, as is shown in the table below.

Weekly income	% discount		
	Single person	Couple no children	Families with children
£0 – £100 & passported/max UC)	85%	85%	85%
£100 - £150	80%	80%	85%
£150 - £200	Nil	75%	85%
£200 - £300	Nil	Nil	80%
£300 - £400	Nil	Nil	75%

Households in receipt of Income Support, Employment & Support Allowance (ESA) and Jobseekers Allowance (JSA) will automatically be placed in Band 1. Unlike model 2, this band is also open to households that are not on passported benefits or receiving their maximum UC, but who have a counted income of under £100/week.

Household income consists of all income (including benefit income, child benefit, maintenance payments and Universal Credit), but excludes:

- The Universal Credit Housing element
- Childcare element of Universal Credit and Childcare Tax Credit
- Disability benefits such as DLA, PIP and AFIP
- War pensions
- Bereavement Payment

The four changes that are introduced under model 1 are also brought forward and incorporated here. They are:

- The Minimum Income Floor (MIF) applied to all self-employed households, regardless of whether they are receiving Universal Credit or not
- A band cap at band D
- Capital limit reduced from £16,000 to £6,000
- Non-dependant deductions set at £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.

CT liability, tax allowances and the minimum wage are increased to 2019/20 levels.

CT liability is increased by 5.5% in 2018/19 and a further 4.5% in 2019/20.

Net migration to UC is assumed at 20%/annum. 40% of the cohort is therefore modelled as being in receipt of Universal Credit.

Appendix 1

Migration to UC is modelled on a random basis excluding households with 3 or more children and those in supported housing or temporary accommodation.

This model will:

- Provide South Ribble Council with an idea of the social and political impact of introduction of an income-band scheme whilst introducing some cost-saving amendments and protection for households.

6.1 Cost

This option was costed as part of the original modelling exercise in June 2018 prior to the Autumn Budget announcements and the more up to date modelling exercise carried out for the current scheme and options 2 and 3. As such figures and some assumptions have since been reviewed and updated.

Annual Cost

Group	Option 4 cost (£/annum)	Comparison to current scheme cost		Comparison to uprated current scheme cost	
		Change (£/annum)	Change (%)	Change (£/annum)	Change (%)
All working age	£2,370,510	£163,360	7.4%	-£87,528	-3.6%
On UC	£929,141	£79,286	9.3%	-£8,085	-0.9%
Not on UC	£1,441,369	£84,074	6.2%	-£79,443	-5.2%
Pension age	£2,908,984	£278,105	10.6%	£0	0.0%
Total	£5,279,494	£441,465	9.1%	-£87,528	-1.6%

The banded model will cost £441,465 more than the current scheme (2017/18) – this is 9.1% increase on current costs. The model has been designed to keep revenues similar in comparison to retaining the current scheme into 2019/20.

Appendix 1

Weekly CTS

As the banded scheme was designed to be cost neutral, the average weekly level of support is much the same as if the current scheme was retained into 2019/20.

All households still in receipt	Average household CTR	Comparison to current scheme cost		Comparison to uprated current scheme cost	
Group	CTR (£/week)	Change (£/week)	Change (%)	Change (£/week)	Change (%)
All working age	£14.75	£1.02	7.4%	-£0.54	-3.6%
on UC	£15.02	£1.28	9.3%	-£0.13	-0.9%
Not on UC	£14.58	£0.85	6.2%	-£0.80	-5.2%
Pension age	£19.13	£1.83	10.6%	£0.00	0.0%
Total	£16.88	£1.41	9.1%	-£0.28	-1.6%

Claim numbers

296 households lose support altogether under this model, of which almost two thirds are households on legacy benefits.

Administration cost

In banded schemes, CT support will only need to be re-assessed when income changes cross an income band. This will partially mitigate against the expected increased number of assessments required under Universal Credit.

Currently, claims will be re-assessed on average 2 times each year. For those in receipt of weekly based income, such as contributory ESA, JSA, Carers Allowance or weekly, fortnightly or four weekly earnings, re-assessment could be up to 6 times a year under Universal Credit. This could potentially affect up to 25% of claimants (782 households) in South Ribble.

The DWP does not publish figures on the cost of re-assessment of claims so an estimate of likely cost savings is not possible.

6.2 Impact analysis

This model introduces a banded scheme but retains cost at expected levels for 2019/20. Although the cost remains much the same, any scheme change (together with changes in the National Living Wage and income tax), will result in winners and losers.

91.7% of all working-age households are better off under this scheme by over £5/week, compared to current (2017/18) levels of support. Hard pressed households, such as those in receipt of passported benefits, are especially likely to be better off under this scheme.

99.5% of all working-age households on passported benefits are better off by over £5/week, compared to 80.3% of working-age households not in receipt of passported benefits.

Appendix 1

As with model 2, the overwhelming majority of households losing support altogether are employed. Just 23 households (7.8% of all households losing support) are receiving out of work benefits. These are largely unemployed households affected by the band cap at band D or the capital limit reduction that are introduced under this model.

Number households no longer eligible, by economic status			
Economic status	Not on UC	on UC	All working-age households
Employed	108	61	169
Self Employed	70	34	104
Out-of-work benefits	14	9	23
Total	192	104	296

320 households lose more than £5/week, significantly more than the number observed in model 2. However, the number of families losing over £5/week is lower, at 191 households (compared to 251 in model 2). By contrast, under this model more of the households that lose over £5/week are couples without children or single people. In other words, the negative impact of this model is more evenly distributed among household types, whereas in model 2 it is felt almost exclusively by households with children.

Number households losing over £5/week, by household type			
Household type	Not on UC	on UC	All working-age households
Single	54	35	89
Lone parent	68	42	110
Couple no children	20	20	40
Couple with children	56	25	81
Total	198	122	320