

1.0 CURRENT CTS SCHEME

The Revised Scheme – from 1 April 2019 for those of working age only, is:

- CTS will continue to be restricted to the Band D charge
- With the exception of those classed as vulnerable, everyone must pay at least 20% of the charge
- The vulnerable will pay at least 10% of the charge
- CTS entitlement calculated at less than £10.00 per week will not be paid, except for those classed as vulnerable – the previous level of £5.00 per week will be maintained
- Second Adult Rebate continues to be withdrawn
- Backdating remains at three months
- Earnings disregards will be reduced by £5.00 per week – matching the levels in the Housing Benefit scheme
- Allowed temporary absence outside of the UK will be reduced to four weeks – matching the Housing Benefit scheme
- Entitlement to CTS will be withdrawn entirely for those in properties in Bands F, G and H
- The capital limit will be reduced from £16,000 to £10,000 – except for the vulnerable
- A Minimum Income Floor will be introduced for those who are self-employed, along with a one-year start up period
- Non-dependent deductions will be increased to match the levels set by the Government in the Prescribed Requirements
- Entitlement to the Family Premium will be restricted for new CTS applications received from 1 April 2019

As well as the above, the rules of the scheme have been clarified with regards to the calculation of the income and applicable amount for those applicants in receipt of Universal Credit. The rules have also been updated so that a claim for UC can be taken as an initial claim for CTS.

What has not changed?

- War Pensions will continue to be disregarded in full
- Child Benefit and child maintenance will continue to be disregarded in full
- Those of pension age will continue to be protect from all changes

1.2 PRINCIPLES OF A DE-MINIMIS CTS SCHEME

The proposed change is to stabilise what happens when CTS entitlement changes by a small amount. This would have a positive effect because frequent small changes in council tax payments can make household budgeting difficult for residents as they get a new Council Tax bill and payments every time their CTS amount changes.

Under the existing scheme an increase in income of £15.00 would lead to a £3.00 change in CTS. This proposes to ignore cumulative changes of less than £3.00 per week

Increases in income

Mrs C has weekly income of £249.90 and qualifies for a CTR award of £21.59 a week.		
Increase in weekly income used in CTR calculation	CTR entitlement change under current scheme	CTR entitlement change under proposed scheme
£25.00	- £5.00	- £5.00
£20.00	- £4.00	- £4.00
£15.00	- £3.00	£0.00
£10.00	- £2.00	£0.00
£5.00	- £1.00	£0.00

Decreases in income

Mr D has weekly income of £446.21 and qualifies for a CTR award of £15.28 a week.		
Decrease in weekly income used in CTR calculation	CTR entitlement change under current scheme	CTR entitlement change under proposed scheme
£25.00	+ £5.00	+ £5.00
£20.00	+ £4.00	+ £4.00
£15.00	+ £3.00	£0.00
£10.00	+ £2.00	£0.00
£5.00	+ £1.00	£0.00

ADVANTAGES OF DE-MINIMIS SCHEME

- Stabilises entitlement and reduces the need to rebill customers on every change of household income. This in turn leads to improved collection rates as payment profiles are reset less frequently.
- More likely to be cost neutral
- No additional licensing or software costs

DISADVANTAGES OF DE-MINIMIS SCHEME

- Modelling this change is not possible with the tools we have. We are working with NEC to model the changes.
- For those with gradual decreases in entitlement they will not see an increase in entitlement as quickly or in some cases at all.

1.3 FLAT RATE NON-DEP DEDUCTIONS

A flat rate non-dep deduction (NDD) would increase efficiency and prevent unnecessary recalculations adding certainty for customers.

Non-Dependants are any adult who is not dependant on the claimant or their partner who is not liable for the payment of council tax, such as a grown-up son or daughter, a friend or relative. NDD's are a deduction from the weekly eligible CT charge to represent a notional amount the ND would be contributing to the household for expenses including CT.

The majority of customers do not have any non-dependant deductions, either because they are disabled and require care or the ND is disabled and unable to contribute to the cost.

There are currently 72 WA customers who have NDD's ranging from £4.20 to £12.85 per week.

The proposal is to increase the rate for those out of work to £5.00 (currently £4.20) and £10.00 for all others

This equates to reductions in entitlement:

Vulnerable of £1,249

Employed £624.

Other £1,123.

Total saving for the year £2,996.

1.4 REMOVAL OF ADDITIONAL EARNINGS DISREGRD

Currently a customer working 30 hours or 16 hours if a lone parent is entitled to a £17.10 additional earnings disregard (AED). This was to encourage work and offset the additional amount in working tax credit. However, UC is replacing WTC and the data shared by DWP does not include the number of hours a customer is working.

Modelling indicates there are 97 customers who are currently working and getting the AED are - 39 Vulnerable and 58 Employed. If we extended the removal of the AED to all groups now this would equate to a saving of £17,671 and because of the minimum weekly award 5 vulnerable and 16 working age employed would no longer be entitled to any CTS.

Therefore, to ensure customers on UC get the CTS they are entitled to quickly and efficiently, the proposal is to remove this disregard for those on UC only from April 2023 onwards.

This equates to reductions in entitlement:

Vulnerable of £5,886.

Employed £11,785.

Other £0.00

Total saving for the year £17,671

To compensate some of this loss we could increase the minimum weekly entitlement to £5.00 per week for the working age group.

This equates to reductions in entitlement:

Vulnerable of £5,886.

Employed £6,565.

Other £0.00

Total saving for the year £12,451

1.5 PRINCIPLES OF A BANDED CTS SCHEME

A banded scheme looks at the resident's household income and make-up in order to apply a percentage reduction or a maximum amount to pay. As income changes these become less likely to result in change to the council tax support, and subsequently a change to their council tax liability.

It operates in a similar way to the existing pension age second adult rebate scheme, but with the added element of an assessment of the ability to pay based on household composition and disability.

ADVANTAGES OF BANDED SCHEMES

- These schemes are much simpler to understand and explain.
- Residents can see more clearly much they will receive.
- Those residents who have changes in their household incomes, are less likely to see a change in their entitlement as they move up and down within the income band.
- It can encourage work as residents who are able to work and earn more can do so without necessarily seeing a corresponding increase in their council tax liability.
- Provides an opportunity to remove the need for a claim form from UC claimants.
- Provides an opportunity to stop sending award notices on every occasion, and rely on the council tax demand notice to show the award of CTS.
- Linking the household income to Universal Credit income simplifies the administration and allows for more automation of the claiming and entitlement process.
- It reduces the need to rebill customers when there is a change of household income of more than 4pence per week*. This in turn leads to improved collection rates as payment profiles are reset less frequently.

DISADVANTAGES OF BANDED SCHEMES

- Bands can create cliff edges for those at the edges, and so a small increase or decrease in household income can result in a larger change in entitlement, than would have resulted in the existing means test benefit.
- Can discourage residents from reporting changes, if they think they are within the parameters of a band.
- There remains a need to record every change in household income as accumulative changes could result in tipping the customer from one band into the next.

1.6 Council Tax Base

We currently have 37,603 dwellings in the Valuation list, but we know that some of those are exempt and have discounts like the 25% single person disregard. Therefore, not every household contributes the full amount. The council tax base calculation is the calculation of the number of dwellings in the borough converted to a Band D equivalent, after discounts, exemptions and council tax support.

The council tax we ask people to pay is calculated by establishing the budget requirement divided by the council tax base.

This is what happens to council tax due if the tax base is reduced by CTS:

Total number of band D equivalents after allowance for council tax support	35,182
Band D @ 98% collection rate	34,478.36
Add number of band D equivalents of contributions in lieu	45.8
Revised Tax base after allowance for council tax support	34,524.16
RBC Band D to raise £6,198,784	£179.55

If we increase the CTS by £45,760 to extend entitlement to those in Bands F to H, that means there are now 34,501.8 Band D equivalents.


This would mean the council tax would have to rise to £179.67 an increase of 12 pence on Band D to cover the additional entitlement.

In effect we have two choices, increase council tax by more to offset the reduction in tax base, which is the default calculation in regulations, or to reduce the budget to reflect less money coming in.

Examples

Option 2 De-minimis

Option 2: De minimis Scheme example


	Sally – receives Universal Credit and is in the Working Age Vulnerable group			With a de minimis level of £3.25 Sally would have 5 benefit periods:		
	01-APR-2021	09-MAY-2021	19.96	01-APR-2021	16-MAY-2021	19.96
	10-MAY-2021	16-MAY-2021	19.96	17-MAY-2021	15-AUG-2021	13.42
	17-MAY-2021	20-JUN-2021	13.42	16-AUG-2021	17-OCT-2021	8.53
	21-JUN-2021	18-JUL-2021	11.97	18-OCT-2021	13-FEB-2022	15.14
	19-JUL-2021	15-AUG-2021	13.67	14-FEB-2022	31-MAR-2022	10.04
	16-AUG-2021	05-SEP-2021	8.53			
	06-SEP-2021	19-SEP-2021	8.53			
	20-SEP-2021	17-OCT-2021	10.86			
	18-OCT-2021	21-NOV-2021	15.14			
	22-NOV-2021	19-DEC-2021	12.85			
	20-DEC-2021	13-FEB-2022	12.93			
	14-FEB-2022	31-MAR-2022	10.04			
	Sally's annual Council Tax Support is £723.57			Sally's annual Council Tax Support would be £739.27		

Option 3 Banded


Option 3: Income Banded Scheme for Runnymede

Band	Vulnerable	Maximum award	Band	Working Age Employed	Working Age Other	Maximum award
1	£0 - £349.99	90%	1	£0 - £184.99	£0 - £209.99	80%
2	£350 - £449.99	70%	2	£185 - £264.99	£210 - £374.99	60%
3	£450 - £549.99	50%	3	£265 - £334.99	£375 - £399.99	40%
4	£550 - £629.99	36%	4	£335 - £479.99	£400 - £484.99	35%
5	Income above maximum £630	0%	5	Income above maximum £480	Income above maximum £485	0%

Option 3: Banded income scheme modelling Worse off

	Salvia – receives Universal Credit and is in the Working Age Other group			With a Banded income scheme Salvia would have 1 benefit period:		
	01-APR-2021	02-MAY-2021	22.57	01-APR-2021	13-OCT-2021	17.34
	03-MAY-2021	04-JUL-2021	22.25			
	05-JUL-2021	08-AUG-2021	22.45			
	09-AUG-2021	05-SEP-2021	23.12			
	06-SEP-2021	13-OCT-2021	22.45			
	14-OCT-2021	31-MAR-2022	0.00			
	Salvia's annual Council Tax Support is £619.72			Sally's annual Council Tax Support would be £485.22		

Option 3: Banded income scheme modelling no change

	Dave - Working Age Vulnerable current CTS award £23.12 per week					
	Contributory ESA	£74.70				
	ESA Support Group	£39.40				
	PIP Daily Living Enhanced	£89.60 disregarded				
	PIP Mobility Enhanced	£62.55 disregarded				
	Universal Credit	£40.16				Total assessable Income £154.26
	Income Band £0 - £349.99 = 90%					
	CT weekly liability for main CTS £25.69					
	New CTS award £23.12 per week					
	Dave's annual Council Tax Support is £1,202.24 and would remain £1,202.24 under this Banded Income scheme					

Option 3: Banded income scheme modelling Better off



Dee – receives Universal Credit and is in the Working Age employed group

01-APR-2021	25-APR-2021	12.83
26-APR-2021	26-SEP-2021	11.22
27-SEP-2021	31-MAR-2022	12.83

Dee's annual Council Tax Support is **£633.57**

With a Banded income scheme Dee would have 1 benefit periods:

01-APR-2021	31-MAR-2022	13.48
-------------	-------------	-------

Dee's annual Council Tax Support would be **£702.88**

Option 4 Universal Credit data share

Option 4: Non-dependant deductions worse off Example



Tina Lives with two non-dependants. Her current CTS is £26.78.

Helen Gets ESA Main Phase Income Related and the ESA Support Group, with PIP Daily Living Enhanced and PIP Mobility Enhance. She is exempt from a NDD



Tom

For 10 hours work he earns £129.78. Tom's earnings means there is a £4.20 NDD. This would change to £10.00 and Tina's entitlement would reduce to £20.98. Annual Council Tax Support was £1,392.56, now £1,093.96

Option 4: Non-dependant deductions Better off Example



Hayley lives with a non-dependant Eric and currently gets £18.38 CTS per week.



Eric earns £744.62, this means there is a £12.85 NDD.

This would change to £10.00 and Hayley's entitlement would increase to £21.23.

Annual Council Tax Support was £955.76, now £1,106.99

Option 4: Removal of Additional Earnings Disregard



Gary – receives Universal Credit and is in the Working Age employed group

01-APR-2021	25-APR-2021	12.83
26-APR-2021	26-SEP-2021	11.22
27-SEP-2021	31-MAR-2022	12.83

Gary's annual Council Tax Support is **£633.57**

With the removal of the additional earning disregard Gary's entitlement would change to £9.41 but with the increased minimum to £5 instead of £10 he would

01-APR-2021	31-MAR-2022	£9.41
-------------	-------------	-------

Gary's annual Council Tax Support would be **£490.66**