LONDON BOROUGH OF HACKNEY

COUNCIL TAX REDUCTION SCHEME MODELLING

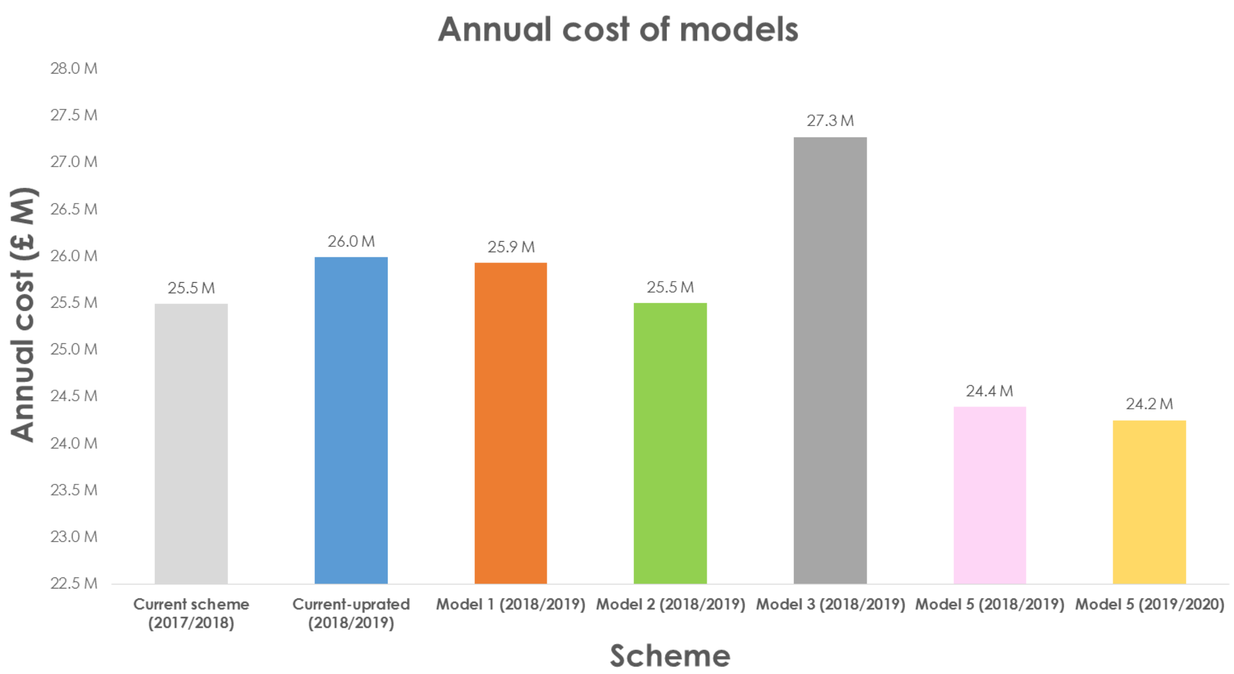
MAY 2017
POLICY IN PRACTICE

Contents

Executive Summary

This report presents the findings of modelling the impacts of four proposed CTR schemes for 2018/19 and one for 2019/2020 on behalf of London Borough of Hackney. Figure 1 below shows the annual cost of the current scheme, the current scheme uprated to 2018/2019 and each of the 5 schemes modelled.

Figure 1: Annual cost of current scheme, current-uprated scheme and models 1-5



Model 1 examines the impact of updating the current scheme in line with current (2017/2018) regulations. This includes updating applicable amounts, premiums and non-dependant deductions from the 2012/2013 levels they are currently set at; updating the assessment of claimants on UC (according to government regulation); and removing the Family Premium for any claims made after May 2016. Implementation of this model in 2018/19 would cost £25.9m in Council Tax Reduction (CTR). This is £0.4m more than current scheme costs but just under £0.1m cheaper than retaining the current scheme through to 2018/2019.

Model 2 examines the impact of updating the current scheme in line with current regulations (model 1), together with adjusting the minimum contribution to Council Tax liability in order for total expenditure on Council Tax Reduction (CTR) to be cost-neutral in 2018/2019, relative to current expenditure (2017/2018).

Model 3 examines the impact of aligning the scheme with the default regulations 2017/18 (model 1), together with introducing protection for households containing a person with a disability (DLA, PIP or both types of ESA). Protected households receive Council Tax Reduction (CTR) based on 100% of Council Tax liability. Implementation of this model in 2018/2019 would cost just under £27.3m in CTR.

Model 4 examines the impact of aligning the scheme with the default regulations 2017/18 (model 1), together with increasing the minimum contribution to Council Tax liability to 22% for working-age households. Implementation of this model in 2018/2019 would cost just under £24.4m in CTR.

Model 5 examines the impact of aligning the scheme with the default regulations 2017/18 (model 1), together with adjusting the minimum contribution to Council Tax liability in order to make £1.2m savings in Council Tax Reduction (CTR) expenditure by 2019/2020, relative to current expenditure (2017/2018).

Key Findings

Model 1 indicates that updating Hackney's current scheme to align with default regulations will only have minimal impact on non-vulnerable households. Vulnerable households, on the other hand, will face slight reductions in support. However, vulnerable households have up to now benefit more than non-vulnerable households from the decision to not update regulations since 2012/2013.

The removal of the family premium is not significant – the greatest impact on award is increased non-dependant deductions and updated applicable amounts. A total of 96 households lose support altogether. 34 of these lose support due to the removal of the family premium.

Model 2 shows that in order to maintain costs at 2017/18 levels into 2018/19, the minimum contribution would need to be increased from the current level of 15% to 17%. The social impact of increasing the minimum contribution to 17% is spread fairly evenly across Council Tax band, tenure type, household type and economic status. A total of 113 households lose support altogether. 17 of these lose support due to the increase in minimum contribution.

Model 3 illustrates that introducing protection for vulnerable groups (by assessing awards for this group on 100% of CT liability), will cost £1.8m more than 2017/18 and £1.3m more than retaining the current scheme through to 2018/2019. Protection of vulnerable households reduces the number losing support in 2018/19 to 76 non-vulnerable households.

If the council was considering protection of certain groups, it could reduce cost through redefining the group or through setting the maximum level of support slightly below 100% of CT liability.

Model 4 illustrates that if minimum CT payment was set at 22% of liability the impact would be spread widely across groups. However, vulnerable households face a slightly greater decrease in support.

If the council was considering this model, it could seek to introduce some degree of protection for vulnerable households and so mitigate the higher reductions in CTR that they experience.

Model 5 shows that in order to make £1.2m savings in Council Tax Reduction (CTR) expenditure by 2019/2020, relative to current expenditure (2017/2018), the minimum contribution would need to be increased from the current level of 15% to 25%. This results in significant reductions in CTR expenditure for both vulnerable and non-vulnerable households. However, vulnerable households lose a higher percentage of support.

This scheme is modelled for 2019/2020. By then the National Living Wage (NLW) and personal tax allowances will be higher, and more households will have migrated to the reduced work allowances under Universal Credit. This results in employed households losing significant levels of support. This explains why this model is only £0.2m cheaper than model 4, despite the minimum contribution being 3 percentage points higher. As households with children are more likely to be in employment, these households are also highly effected. A total of 857 households lose support altogether.

If the council was considering this model, it could seek to introduce some degree of protection for affected households.

Comparison of Models

	Baseline current scheme, modelled as 2017/2018	Baseline current scheme modelled for 2018/2019	Option 1 - Current scheme uprated and modelled for 2018/2019	Option 2 - Current scheme uprated and minimum contribution adjusted to be cost neutral for 2018/19 relative to 2017/18	Option 3 - Current scheme uprated and modelled for 2018/19 with protection for vulnerable households	Option 4 - Current scheme uprated and minimum contribution adjusted to 22% modelled for 2018/19	Option 5 - Current scheme uprated and minimum contribution adjusted to save £1.2m in 2019/20 relative to 2017/18
Minimum contribution to Council Tax liability (%)	**15%**	**15%**	**15%**	**17%**	**15%**	**22%**	**25%**
Total cost of scheme (£M)	25.5 M	26.0 M	25.9 M	25.5 M	27.3 M	24.4 M	24.2 M
Support to working-age households (£M)	16.3 M	16.5 M	16.5 M	16.0 M	17.8 M	14.9 M	14.4 M
Esimated change in cost (£M) compared to current scheme	N/A	0.5 M	0.4 M	0.0 M	1.8 M	-1.1 M	-1.2 M
Esimated change in cost (£M) compared to current scheme modelled for 2018/2019	N/A	N/A	-0.1 M	-0.5 M	1.3 M	-1.6 M	-1.7 M
Number of households eligible for CTR under scheme	32,562	32,342	32,246	32,229	32,275	32,128	31,485
Number of households currently eligible that lose support altogether under scheme	N/A	220	316	333	287	434	1,077
Proportion of households currently eligible that lose support altogether under scheme (%)	N/A	0.7%	1.0%	1.0%	0.9%	1.3%	3.3%
Impact on vulnerable households	N/A	Vulnerable households experience a greater increase in CTS than non-vulnerable households, were the current scheme to be uprated as it is in 2018/2019. Social tenants and lone parents see particularly big increases.	Vulnerable households face bigger reductions in CTS than non-vulnerable households. The following groups are particularly impacted: - Higher banded properties - Self-employed people - Couples without children	Vulnerable households more impacted than non-vulnerable households. Impact across CT band, tenure type, household type and economic status similar to model 1.	Vulnerable households protected compared with non-vulnerable households. Any variations across CT band, tenure type, household type or economic status reflect changes made under option 1.	Vulnerable households more impacted than non-vulnerable households. Impact across CT band, tenure type, household type and economic status similar to model 1.	Vulnerable households and non-vulnerable households face similar losses. The following vulnerable groups are particularly impacted: - Employed households - Couples without children - Households not in receipt of housing benefit (owner-occupiers or UC claimants)
Impact on non-vulnerable households	N/A	Maintaining the current scheme through to 2018/2019 would reduce CTS for households in work. This is due to the rises in the minimum wage and personal tax allowance, which would increase some households' earnings to the point where they are no longer eligible for CTS. In other words, maintaining the current scheme would not provide strong work incentives.	Impact is fairly even across council tax band and economic status. Non-vulnerable couples without children, which lose work allowances completely if on UC, lose more CTS. Non-vulnerable households not in receipt of housing support (likely either on UC or owner-occupiers) also lose more CTS.	Impact across CT band, tenure type, household type and economic status similar to model 1.	Impact across CT band, tenure type, household type and economic status similar to model 1.	Impact across CT band, tenure type, household type and economic status similar to model 1.	Non-vulnerable households more impacted than in options 1 and 2, due to this option being modelled on 2019/2020 projected minimum wage and personal tax allowance, plus 42% migration to UC. Employed households are more heavily impacted, as well as household types more likely to be employed (couples with children).

1.0 INTRODUCTION

1.1 Background and Objectives

The London Borough of Hackney is looking at replacing its current Council Tax Reduction (CTR) scheme in 2018/19.

Policy in Practice has been commissioned to provide an impact analysis of five proposed CTR models.

Initially, five schemes have been modelled to;

- examine the impact of updating the current scheme in line with current regulations;
- examine the impact of increasing the minimum contribution to Council Tax (CT) liability so as to make the 2018/2019 scheme cost-neutral relative to 2017/2018;
- examine the impact of introducing protection for households containing protected groups;
- examine the impact of increasing the minimum contribution to 22% of Council Tax liability;
- examine the impact of increasing the minimum contribution so as to make £1.2m in savings by 2019/2020, relative to 2017/2018.

The initial modelling and the resulting financial and social impact analysis can be used to inform the design of further models in the future.

1.2 Current scheme

The current scheme (2017/18) is based on the previous, centrally-defined, Council Tax Benefit model. This is a complex means-tested scheme with certain types of income compared to a needs allowance which is itself calculated by reference to household circumstances. This scheme must be retained by all councils in respect of pensioner households (the "prescribed" scheme), whereas the scheme for working-age households can be modified ever since the localisation of Council Tax Reduction (CTR) in 2012/2013. For working-age households, Hackney has maintained the applicable amounts and premiums from 2012/2013 but introduced a minimum contribution of 15% of CT liability.

1.3 Proposed models

The proposed models in this report are:

Model 1: Current scheme aligned with 2017/2018 default scheme and uprated to 2018/19

CTR is calculated as it is currently, with a minimum contribution of 15% of Council Tax liability, but with the following modifications:

- Applicable amounts/premiums updated to 2017/2018 levels
- Non-dependent deductions updated to 2017/2018 levels
- Family Premium removed for HB claims made after May 2016

This model will provide Hackney Council with an idea of the net cost and social impact of bringing the current scheme in line with the 2017/2018 default scheme.

Model 2: Cost neutral in 2018/19

The current scheme is aligned with the 2017/2018 default scheme, and the minimum payment is adjusted to enable the model to be cost-neutral by 2018/2019. This model will identify the minimum contribution required in order to enable costs to be maintained at 2017/18 levels in 2018/19 and show the social impact of amending the minimum contribution.

Model 3: Protection for vulnerable households in 2018/19

The current scheme is aligned with the 2017/2018 default scheme and households containing a person in receipt of DLA, any type of ESA or Carer's allowance receive CTR award based on 100% of their CT liability. This model will provide Hackney with the cost of protection for these groups.

Model 4: Minimum contribution at 22% in 2018/19

The current scheme is aligned with the 2017/2018 default scheme and the minimum contribution is increased from 15% to 22% of CT liability. This model will evaluate the cost and social impact of increasing the minimum contribution from 15% to 22%.

Model 5: £1.2M in savings by 2019/2020

The current scheme is aligned with the 2017/2018 default scheme and the minimum payment is adjusted to enable the model to achieve savings of £1.2m by 2019/20. This model will identify the minimum contribution required in order to enable cost savings of £1.2m and show the social impact of this change.

For all models, CT liability, tax allowances and the minimum wage are increased to 2018/19 or 2019/20 levels as appropriate. Net migration to UC is assumed at 14%/annum. Migration to UC is modelled on a random basis excluding households with 3 or more children and those in supported housing or temporary accommodation.

For each model, this report analyses the impact on cost, the political and social implications, and the impact on specific groups within the population.

A simplified summary is provided for each model and a comparison between models is provided in the Executive Summary.

1.4 Methodology & Approach

Modelling is at household level. Household data on current claimants has been supplied to Policy in Practice in the form of the CTR extract with personal data excluded. Policy in Practice convert this data 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 model.

To enable comparison of models against the current scheme in subsequent years, an agreed annual increase in council tax has been included. The rate of council tax increase used is 3.00% for 2017/18, 3.00% for 2018/19 and 3.00% for 2019/2020.

An agreed level of migration to Universal Credit is also included. Modelling will include a migration of 14% of claimants to Universal Credit by 2017/2018; 28% of claimants by 2018/19; and 42% by 2019/2020. This migration level has been agreed with the council.

For each model, comparison of impact is made against the current scheme and against the projection of the current scheme in 2018/19 (the "uprated current scheme"). The uprated current scheme takes account of changes in the National Living Wage, tax allowances, CT increases and UC migration.

For each model, the Hackney working-age cohort is split up into vulnerable and non-vulnerable households. Vulnerable households are defined as any household where the claimant or partner is in receipt of:

- Disability Living Allowance (DLA) – care or mobility component
- Disability Living Allowance (child)
- Employment Support Allowance (ESA) – Work Related Activity Group or Support Group
- Carer's Allowance

Initial data analysis of the current scheme and the uprated current scheme have been undertaken for comparative purposes.

A supplementary report to this report provides detailed information on methodology and terminology as well as full data tables for the current scheme, the uprated current scheme, and for all models.

2.0 MAINTAINING CURRENT SCHEME INTO 2018/19

Age group	Number of households
All working age	22,542
Vulnerable households	*9,031*
Non-vulnerable households	*13,511*
Pension age	10,020
Total	***32,562***

Currently, 22,542 working-age households are in receipt of CTR, 9,031 of which are classed as vulnerable. 10,020 pension-age households are in receipt of CTR.

Maintaining the current scheme into 2018/19 would increase scheme cost from £25.5m in 2017/18 to £26.0m in 2018/19. This is an increase in cost of 1.9%.

Annual CTS in current-uprated scheme, compared to current scheme			
Group	**Uprated current scheme (£/annum)**	**Change (£/annum)**	**Change (%)**
All working age	£16,514,842	£191,965	1.2%
Vulnerable	*7,372,813*	*£156,249*	*2.2%*
Non-vulnerable	*9,142,029*	*£35,716*	*0.4%*
Pension age	£9,472,779	£303,417	3.3%
Total	***£25,987,621***	***£495,382***	***1.9%***

Costs would increase 3.3% for pension age households but only 1.2% for working-age households. The additional cost of support for working age households is lower than the CT rise from 2016/17 to 2018/19 due to the cumulative impact of two separate changes: Firstly, the increase in the national minimum wage from 2017/18 to 2018/19 will increase incomes and therefore will reduce the level of CT reduction. Secondly, amendments to the default regulations to account for the assessment of CT reduction for households in receipt of Universal Credit (assumed to be 28% of eligible working-age households by 2018/2019, as agreed with the Council) omitted to include mention of earning reductions in the calculation of income. This means that strict adherence to the default scheme will have the effect of lowering support levels for working households moving to Universal Credit.

For working-age vulnerable households, costs increase by 2.2% compared to just 0.4% for working-age non-vulnerable households. This is due to the fact that non-vulnerable households are more likely to be in work and/or in receipt of Universal Credit, and as a result lose CTR for the reasons stated above.

Councils do not have the power to make scheme amendments for pension-age households. Therefore, in order to maintain spending at current levels, or to make cost savings, cuts in support to working age households will need to be of such a level that they offset the expected 3.3% rise in support to pension-age households.

Annual CTS received by all working-age households: current vs current-uprated			
Economic status	**Total CTS in current-uprated scheme (£/annum)**	**Change compared to current scheme (£/annum)**	**Change compared to current scheme (%)**
Employed	£4,026,171	-£106,223	-2.6%
Self-employed	£1,184,503	-£6,979	-0.6%
Out-of-work benefits	£11,304,169	£305,167	2.8%
Total	***£16,514,842***	***£191,964***	***1.2%***

Maintaining the current scheme through to 2018/2019 would also not support work incentives. Working-age, non-vulnerable households in employment see a 2.6% reduction in CTR, whereas those on out-of-work benefits see an increase of 2.8%. This difference is explained by a number of separate changes.

Firstly, the reduction in work allowances for those moving to Universal Credit is reduced for households without children and not in receipt of ESA.

Secondly, the Minimum Income Floor is introduced for self-employed claimants and thirdly, increases in the National Living Wage (NLW) and personal tax allowances mean that employed households previously earning the NLW will have higher incomes and consequently a reduction in CTR entitlement. This also means that household types or tenure types more likely to be in employment (such as couples with children or private renters) would face greater reductions in CTR if the current scheme was maintained but uprated for 2018/2019.

3.0 Model 1: Current scheme brought up to date with 2017/2018 regulations

Model 1: Current scheme aligned with the 2017/2018 default regulations and uprated to 2018/19

CTR is calculated as it is currently, with a minimum contribution of 15% of Council Tax Liability, but with the following modifications:

- Applicable amounts/premiums updated to 2017/2018 levels
- Non-dependent deductions updated to 2017/2018 levels
- Family Premium removed for HB claims made after May 2016

For all claimants, modelling includes:

- An increase in council tax liability of 3.0% for 2018/19
- Presumed migration of 28% of eligible households to Universal Credit
- An increase in the National Living Wage (NLW) to a projected £8.00/hour
- An increase in the personal tax allowance to £12,000/annum
- JSA, ESA, CB, and LHA rates are frozen at current levels

This model will:

- Provide Hackney Council with an idea of the net cost of making modifications in order to bring the current scheme in line with the 2017/2018 default scheme
- Evaluate social and political impacts, including the difference in impact on vulnerable and non-vulnerable households, and across council tax band, tenure type, economic status and household composition.

3.1 Cost

Annual Cost

		Comparison to current scheme cost		Comparison to uprated current scheme cost	
Group	**Scheme cost (£/annum)**	**Change (£/annum)**	**Change (%)**	**Change (£/annum)**	**Change (%)**
All working-age	£16,455,539	£132,662	0.8%	-£59,303	-0.4%
Vulnerable	*£7,119,799*	*-£96,766*	*-1.3%*	*-£253,014*	*-3.4%*
Non-vulnerable	*£9,335,740*	*£229,427*	*2.5%*	*£193,711*	*2.1%*
Pension age	£9,472,779	£303,417	3.3%	£0.00	0.0%
Total	***£25,928,318***	***£436,079***	***1.7%***	***-£59,303***	***-0.2%***

Model 1: Total cost of model (£/annum)

This model results in an increase of 1.7% on total scheme costs in 2017/18, from £25.5m in 2017/18 to £25.9m 2018/19. However, this model provides savings of 0.2% (under £0.1m) when compared to the cost of retaining the current scheme into 2018/19.

The increase in cost is largely due to a 3.3% increase for pension age households, reflecting the expected Council Tax rises in 2018/19. By comparison, the cost for working-age households increases by 0.8%, with non-vulnerable households seeing an increase and vulnerable households a decrease. The reason for the difference between vulnerable and non-vulnerable households is that vulnerable households are more likely to be out-of-work, meaning that under this model those not in receipt of the care component of DLA or in receipt of PIP face higher non-dependant deductions without benefiting from the increase in applicable amounts associated with updating the scheme to align with the 2017/2018 default regulations.

The other side of the coin, however, is that vulnerable households are actually benefiting from the fact that the current scheme has not been updated since 2012/2013. In other words, aligning the current scheme with 2017/2018 regulations has the effect of removing the up to now "preferential treatment" for households with non-dependants (who are more likely to be classed as vulnerable here).

The cost for working-age households will be £16.5m in 2018/19. £7.1m is attributed to vulnerable households and £9.3m to non-vulnerable households.

Weekly CTR

All households still in receipt	**Scheme cost**	**Comparison to current scheme cost**		**Comparison to uprated current scheme cost**	
Group	**Average (£/week)**	**Change (£/week)**	**Change (%)**	**Change (£/week)**	**Change (%)**
All working-age	£14.10	£0.17	1.2%	£0.01	0.1%
Vulnerable	£15.24	-£0.13	-0.9%	-£0.46	-3.0%
Non-vulnerable	£13.34	£0.38	2.9%	£0.33	2.5%
Pension age	£18.18	£0.58	3.3%	£0.00	0.0%
Total	***£15.36***	***£0.30***	***2.0%***	***£0.01***	***0.1%***

Model 1: Average weekly CTR (£/week)

Under this model, the level of weekly CTR increases for working-age households still eligible for support by 1.2% compared to retaining the current scheme into 2018/19. 96 households lose support altogether as a result of these modifications.

Administration cost

Due to a very slight reduction in the number of claimants under this model it is estimated that administration costs will reduce, albeit minimally, by 0.4%.

Administration costs in model 1, compared to current-uprated scheme			
Group	**Model 1 (£/annum)**	**Change (£/annum)**	**Change (%)**
All working age	£3,767,786	-£16,115	-0.4%
Pension age	£1,681,957	£0	0.0%
Total	***£5,449,743***	***-£16,115***	***-0.3%***

DWP research, uprated in line with inflation, indicates that the total cost per annum for a default scheme claim would be £167. This would suggest that the current working-age caseload of 22,542 claims would cost approximately £3.8m to administer once assessment is no longer being undertaken in conjunction with Housing Benefit claims. Reduction in claim numbers under this model, from 22,542 working-age claimants to 22,446, would result in savings of £16,115 per annum.

Number of households losing support altogether

Under this model, 96 claimants will no longer receive support. 52 of these are non-vulnerable households, whilst the remaining 42 are vulnerable households.

34 of the 96 households losing support altogether are either lone parents or couples with children in employment and with a Housing Benefit claim made after May 2016. As such, it can be inferred that these households lost support altogether due to the removal of the Family Premium. The remaining s 62 households lost support as a result of other changes including the increase in non-dependant deductions, increases in the minimum wage or other changes.

3.3 Impact analysis

The impact of updating the current scheme to align with the 2017/18 default scheme has the following effects:

- Those in receipt of out-of-work benefits lose more than those in employment. This is due to the impact of non-dependant deductions. For those in work this is mitigated slightly by increases in needs allowances.
- Vulnerable households lose slightly more than non-vulnerable households. This reflects a higher number of these households being in receipt of out-of-work benefits.
- The removal of the family premium has minimal impact due to low numbers of households with children claiming benefit after May 2016.

Full impact analysis data is available in the supplementary report. The key impacts are given below.

Impact analysis – Council Tax band

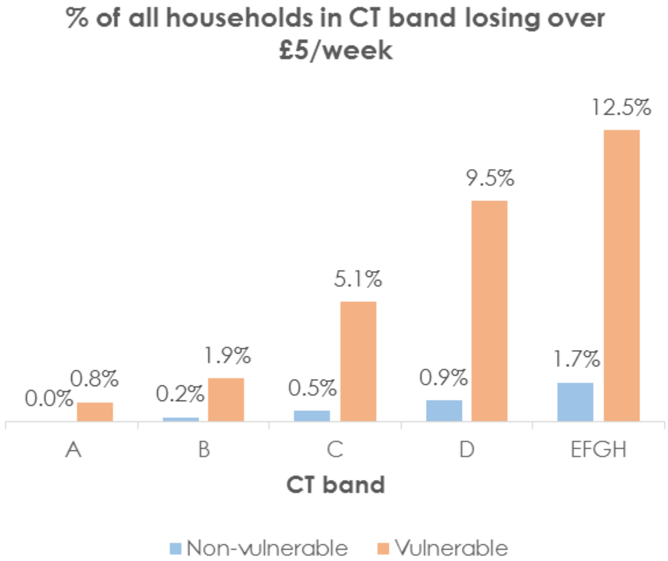
For non-vulnerable households, reduction in support is negligible and spread fairly even across bands.

Annual CTS received by non-vulnerable households: model 1 vs current, current-uprated			
Band	**Total CTS in model 1 (£/annum)**	**Change compared to current scheme (%)**	**Change compared to current-uprated scheme (%)**
A	£529,861	1.8%	1.0%
B	£2,758,556	2.0%	1.6%
C	£2,712,903	2.6%	2.9%
D	£1,551,582	2.8%	2.5%
EFGH	£1,782,839	3.2%	1.8%
Total	***£9,335,740***	***2.5%***	***2.1%***

Annual CTS received by vulnerable households: model 1 vs current, current-uprated			
Band	**Total CTS in model 1 (£/annum)**	**Change compared to current scheme (%)**	**Change compared to current-uprated scheme (%)**
A	£481,865	1.0%	-0.9%
B	£2,566,017	0.6%	-1.4%
C	£2,069,401	-1.8%	-3.9%
D	£1,067,129	-3.8%	-6.0%
EFGH	£935,387	-3.9%	-6.2%
Total	***£7,119,799***	***-1.3%***	***-3.4%***

Model 1: Total reduction in CTR received, by band

Among vulnerable households, those in higher bands experience the biggest reduction in support as these households are likely to have greater number of non-dependant deductions.



Model 1: Percentage of households in CT band losing support altogether, or losing over £5/week

Loss of support altogether is spread fairly evenly across bands. However, households in higher bands are significantly more likely to lose over £5/week compared to 2017/18 support. For example, whilst just 0.8% of vulnerable households in band A lose over £5/week 12.5% of those in bands E, F, G or H lose this amount.

Impact analysis – Tenure

For both vulnerable and non-vulnerable households those not in receipt of Housing Benefit face the highest drop in support. These are likely to be those on Universal Credit or owner occupiers.

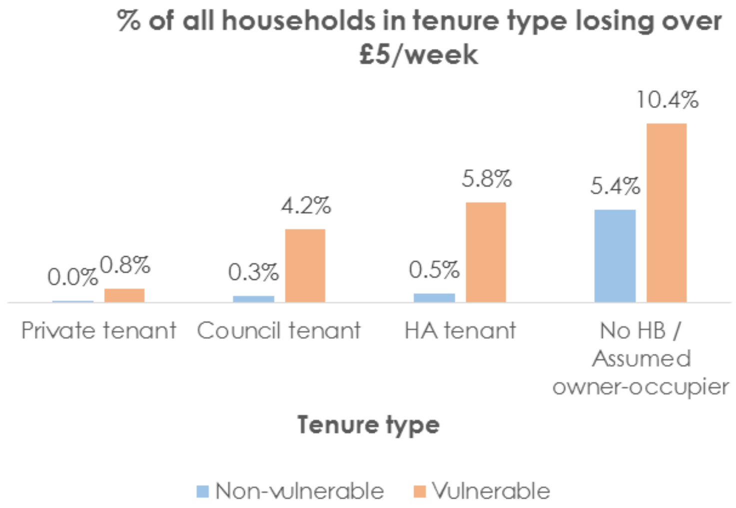
This is explained by the fact that households not in receipt of Housing Benefit have higher proportions of out-of-work benefits s do not benefit from increased needs allowances from 2013 levels whilst still facing higher non-dependant deductions.

Annual CTS received by non-vulnerable households: model 1 vs current, current-uprated			
Tenure type	**Total CTS in model 1 (£/annum)**	**Change compared to current scheme (%)**	**Change compared to current-uprated scheme (%)**
Private tenant	£2,904,296	2.0%	3.2%
Council tenant	£2,525,075	3.1%	2.3%
HA tenant	£3,448,359	3.4%	2.1%
No HB / Assumed owner-occupier	£458,010	-3.6%	-5.2%
Total	***£9,335,740***	***2.5%***	***2.1%***

Annual CTS received by vulnerable households: model 1 vs current, current-uprated			
Tenure type	**Total CTS in model 1 (£/annum)**	**Change compared to current scheme (%)**	**Change compared to current-uprated scheme (%)**
Private tenant	£987,073	1.2%	0.0%
Council tenant	£2,680,048	-1.2%	-3.4%
HA tenant	£3,235,879	-1.9%	-4.2%
No HB / Assumed owner-occupier	£216,800	-5.3%	-7.2%
Total	***£7,119,799***	***-1.3%***	***-3.4%***

Model 1: Change in CTR received, by tenure type

Households not in receipt of Housing Benefit are also the group most likely to lose support altogether under this model, although numbers losing support is negligible.

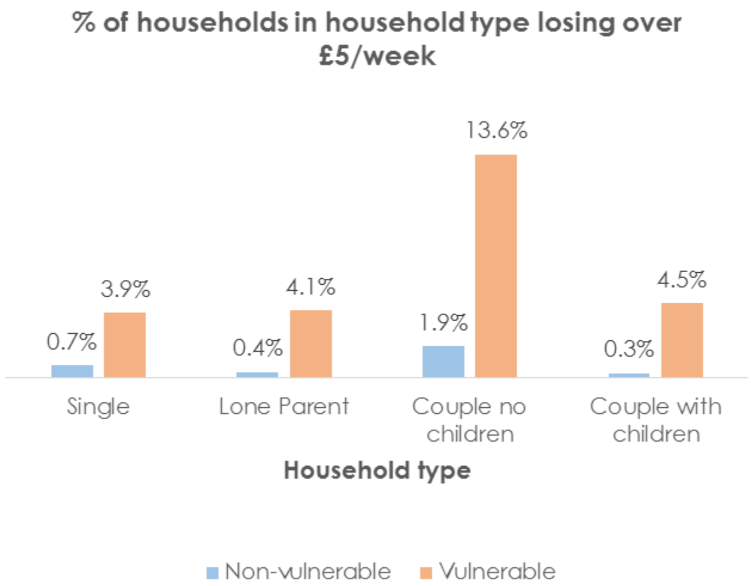


Model 1: Percentage of households in tenure type losing over £5/week

Similarly, owner-occupiers and those in receipt of Universal Credit are also the group most likely to lose over £5/week. 10.4% of vulnerable households not in receipt of Housing Benefit will lose over £5/week, while just 0.8% of private tenants will lose this amount.

Impact analysis – Household composition

For both vulnerable and non-vulnerable households, the impact of removing the family premium is small. This is explained by the fact that just 21.2% of couples with children and 24.7% of lone parents made a Housing Benefit claim after May 2016 and would therefore lose the premium. In addition, the loss of the premium would only affect those not in receipt of passported benefits. The impact of the loss of the family premium is negligible compared to the impact of changes to non-dependant deductions and needs allowances. Overall, couples with children or lone parents do not facing bigger reductions in CTR than single people or couples without children.



Model 1: Percentage of households in household type losing over £5/week

Vulnerable couples without children are most likely to lose support altogether or lose more than £5/week compared to current support. This is due to the combined impacts of high levels of these households being in receipt of out-of-work benefits and higher levels of non-dependants within these households. The migration to Universal Credit will also have a negative impact on employed households with no children who will lose work allowances.

Impact analysis – Economic status

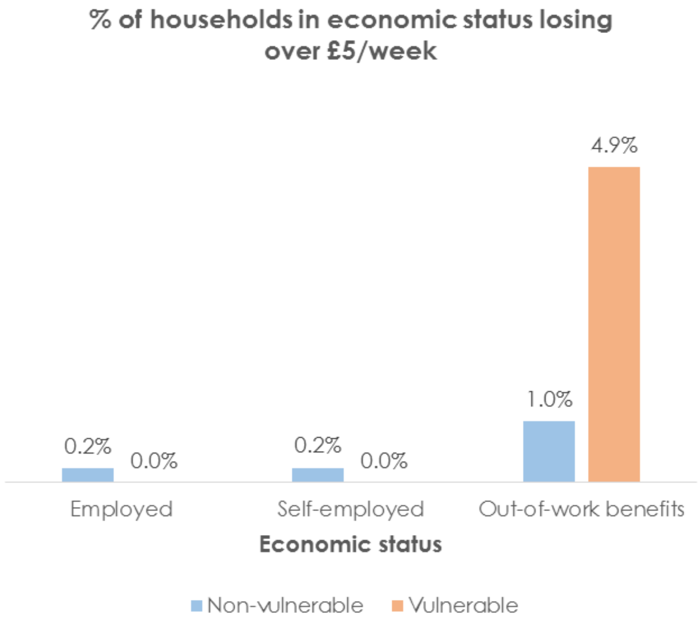
For both vulnerable and non-vulnerable households, this model benefits employed people more than those on out-of-work benefits. This is because updating the applicable amounts from 2013 levels primarily affects households in work.

Annual CTS received by non-vulnerable households: model 1 vs current, current-uprated			
Economic status	**Total CTS in model 1 (£/annum)**	**Change compared to current scheme (%)**	**Change compared to current-uprated scheme (%)**
Employed	£3,752,249	1.8%	4.5%
Self-employed	£1,139,367	2.4%	2.4%
Out-of-work benefits	£4,444,125	3.2%	0.1%
Total	***£9,335,740***	***2.5%***	***2.1%***

Annual CTS received by vulnerable households: model 1 vs current, current-uprated			
Economic status	**Total CTS in model 1 (£/annum)**	**Change compared to current scheme (%)**	**Change compared to current-uprated scheme (%)**
Employed	£443,109	-0.5%	1.6%
Self-employed	£72,797	-7.6%	1.3%
Out-of-work benefits	£6,603,893	-1.3%	-3.8%
Total	***£7,119,799***	***-1.3%***	***-3.4%***

Model 1: Change in CTR received, by economic status

Vulnerable self-employed households see a significant reduction in CTR compared to current support. This is due to the introduction of the Minimum Income Floor rather than the effect of amending the scheme to default 2017/18 rates. This appears to have a higher impact on self-employed from vulnerable groups – perhaps due to the level of earnings being significantly below the Minimum Income Floor.



Model 1: Percentage of households in economic status losing support altogether, or losing over £5/week

All vulnerable households that either lose support altogether or lose over £5/week are in receipt of out-of-work benefits indicating that the cause in the increase in non-dependant deductions.

3.4 Summary

	Advantages	Disadvantages
Cost	£25.9m Reduction in £0.1m in comparison to retention of current system to 2018/19.	Increase in £0.4m against current scheme costs Minimal administrative savings
Political & Social Impact	Aligning the current scheme with 2017/18 default regulations provides some work incentives. Households in employment see an increase in CTR, whereas those in receipt of out-of-work benefits see a decrease. This is especially the case for non-vulnerable households. The impact of removing the Family Premium is small, due to the relatively low number of lone parents or couples with children with a HB claim made after May 2016. Lower banded properties generally benefit more under this model.	Vulnerable households experience a reduction in CTR under this model. This is due to vulnerable households being less likely to be in employment, and as such benefiting from the updating of applicable amounts since 2013. Households not in receipt of Housing Benefit face big reductions in CTR under this model, as they are less likely to be in work and more likely to have non-dependants.

Model 1: Summary

4.0 Model 2: Current scheme brought up to date with 2017/2018 regulations, plus cost-neutral by 2018/2019

Model 2: Current scheme brought up to date with 2017/2018 regulations, plus cost-neutral by 2018/2019 (relative to 2017/2018)

Scheme is brought up to date with 2017/2018 regulations (model 1), plus minimum contribution towards Council Tax liability is increased from 15% to 17% in order to make the model cost-neutral by 2018/2019 (relative to 2017/2018)

For all claimants, modelling includes:
- An increase in council tax liability of 3.0% for 2018/19
- Presumed migration of 28% of eligible households to Universal Credit
- An increase in the National Living Wage (NLW) to a projected £8.00/hour
- An increase in the personal tax allowance to £12,000/annum
- JSA, ESA, CB, and LHA rates are frozen at current levels
- Work allowances are reduced for all claimants migrating to Universal Credit

This model will:

- Demonstrate the combined impact of updating the current scheme and increasing the minimum contribution to 17%
- Evaluate social and political impacts of increasing minimum contribution to 17%.

4.1 Cost

Annual Cost

	Scheme cost	Comparison to current scheme cost		Comparison to uprated current scheme cost	
Group	(£/annum)	Change (£/annum)	Change (%)	Change (£/annum)	Change (%)
All working-	£16,025,152	-£297,726	-1.8%	-£489,691	-3.0%
Vulnerable	*£6,951,050*	*-£265,515*	*-3.7%*	*-£421,764*	*-5.7%*
Non-vulnerable	*£9,074,102*	*-£32,211*	*-0.2%*	*-£67,927*	*-0.7%*
Pension age	£9,472,779	£303,417	3.3%	£0.00	0.0%
Total	***£25,497,931***	***£5,691***	***0.0%***	***-£489,691***	***-1.9%***

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

Increasing the minimum contribution to 17% makes this model cost-neutral relative to current total CTR expenditure. The model provides savings of 1.9% (£0.5m) when compared to the cost of retaining the current scheme into 2018/19.

CTR for pension-age households increases 3.3% relative to the current scenario. In comparison, the cost for working-age households decreases by 1.8%, with vulnerable households seeing a more marked decrease of 3.7%. The reason for this is the impact of aligning the model with the 2017/18 default regulations (model one) rather than the increase in the minimum contributions. The isolated impact of increasing the minimum contribution to 17% affects vulnerable and non-vulnerable households more or less equally.

The cost for working-age households will be £16.0m in 2018/19. £7.0m is attributed to vulnerable households and £9.1m to non-vulnerable households.

Weekly CTR

All households still in receipt	Scheme cost	Comparison to current scheme cost		Comparison to uprated current scheme cost	
Group	Average (£/w	Change (£/week)	Change (%)	Change (£/week)	Change (%)
All working age	£13.74	-£0.19	-1.3%	-£0.35	-2.5%
Vulnerable	£14.88	-£0.49	-3.2%	-£0.82	-5.2%
Non-vulnerable	£12.98	£0.02	0.2%	-£0.03	-0.2%
Pension age	£18.18	£0.58	3.3%	£0.00	0.0%
Total	***£15.11***	***£0.06***	***0.4%***	***-£0.24***	***-1.5%***

Model 2: Average weekly CTR (£/week)

The average vulnerable household will experience a decrease in weekly CTR that is greater than for a non-vulnerable household. This is due to the effects of aligning the scheme with 2017/18 default regulations rather than the increase in the minimum contribution.

Impact of increasing minimum contribution

Comparing weekly CTR under this model to that received under model 1 allows the impact of increasing the contribution to 17% to be viewed in isolation from changes due to aligning the models with the 2017/18 default regulations.

Group	CTS in scheme 1 (£/week)	CTS in scheme 2 (£/week)	% change
Vulnerable	£15.24	£14.88	-2.4%
Non-vulnerable	£13.34	£12.98	-2.7%

Model 2: Impact of increasing the minimum contribution, vulnerable v non-vulnerable

This shows that increasing the minimum contribution to 17% of CT charge results in similar reductions in support between vulnerable and non-vulnerable households.

Administration cost

Due to reduction in the number of claimants under this model, it is estimated that administration costs will reduce (albeit minimally) by 0.5%.

Administration costs in model 2, compared to current-uprated scheme			
Group	**Model 2 (£/annum)**	**Change (£/annum)**	**Change (%)**
All working age	£3,764,932	-£18,968	-0.5%
Pension age	£1,681,957	£0	0.0%
Total	***£5,446,889***	***-£18,968***	***-0.3%***

Reduction in claim numbers under this model, from 22,542 working-age claimants to 22,429, would result in savings of £18,968 per annum.

4.2 Number of households losing support

Under this model, 113 claimants will no longer receive support. 96 of these lost support under model 1 due to aligning support with default regulations. Therefore only 17 households lose support due to the increase in the minimum contribution to 17%.

4.3 Impact analysis

The impact of increasing the minimum contribution to 17% is spread evenly across CT band, tenure, household composition and economic status. All groups lose support compared to model 1 but this is low at under 3% for all groups.

The overriding impact of this model is the same as model 1 and this is caused by aligning the scheme with the default regulations. Patterns of loss in support are therefore the same as in model 1.

4.4 Summary

	Advantages	**Disadvantages**
Cost	£25.5m Cost neutral relative to 2017/2018 and £0.5m cheaper than retaining current scheme through to 2018/2019.	Minimal administrative savings.
Political & Social Impact	The isolated impact of increasing the minimum contribution to 17% is spread fairly evenly across different cohorts.	The increase in minimum contribution in this model affects vulnerable and non-vulnerable households fairly evenly, so that vulnerable households, households not in receipt of HB and those in receipt of out-of-work benefits still face a greater loss in support.

Model 2: Summary

5.0 Model 3: Current scheme Aligned with 2017/2018 default scheme, plus protection for vulnerable households

Model 3: Current scheme aligned with the 2017/18 default scheme, plus protection for vulnerable households

The current scheme is aligned with the 2017/2018 regulations (model 1) and households identified as vulnerable are protected. These households receive CTR calculated on 100% of their Council Tax liability.

Vulnerable households are defined as those households with:
- A household member in receipt of DLA care or mobility (any rate) or child DLA
- A household member in receipt of ESA WRAG or ESA Support
- A household member in receipt of Carer's Allowance

For all claimants, modelling includes:
- An increase in council tax liability of 3.0% for 2018/19
- Presumed migration of 28% of eligible households to Universal Credit
- An increase in the National Living Wage (NLW) to a projected £8.00/hour
- An increase in the personal tax allowance to £12,000/annum
- JSA, ESA, CB, and LHA rates are frozen at current levels
- Work allowances are reduced for all claimants migrating to Universal Credit

This model will:

- Demonstrate the cost and social impacts of aligning the current scheme with the default regulations and providing protection for vulnerable households.

5.1 Cost

Annual Cost

	Scheme cost	Comparison to current scheme cost		Comparison to uprated current scheme cost	
Group	**(£/annum)**	**Change (£/annum)**	**Change (%)**	**Change (£/annum)**	**Change (%)**
All working-age	£17,801,139	£1,478,262	9.1%	£1,286,297	7.8%
Vulnerable	*£8,459,619*	*£1,243,055*	*17.2%*	*£1,086,806*	*14.7%*
Non-vulnerable	*£9,341,520*	*£235,207*	*2.5%*	*£199,491*	*2.1%*
Pension age	£9,472,779	£303,417	3.3%	£0.00	0.0%
Total	***£27,273,918***	***£1,781,679***	***7.0%***	***£1,286,297***	***4.9%***

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

Providing protection for vulnerable households, through assessing support on 100% of liability, would cost £1.3m more than retaining the current scheme through to 2018/2019 and £1.8m more than the current scheme.

Non-vulnerable households are treated as in model, so that the change for these households reflects the impact of aligning the current scheme with the default regulations for 2017/18.

For vulnerable households, assessing support on 100% of CT liability results in a 17.2% increase in expenditure relative to the current scheme, or 14.7% more than retaining the current scheme through to 2018/2019.

CTR expenditure for all working-age households (vulnerable and non-vulnerable households taken together) would be £1.5m higher than the current scheme and £1.3m more than the current scheme uprated to 2018/19.

Weekly CTR

All households still in receipt	Scheme cost	Comparison to current scheme cost		Comparison to uprated current scheme cost	
Group	**Average (£/w**	**Change (£/week)**	**Change (%)**	**Change (£/week)**	**Change (%)**
All working age	£15.23	£1.31	9.4%	£1.14	8.1%
Vulnerable	£18.05	£2.68	17.4%	£2.35	14.9%
Non-vulnerable	£13.35	£0.39	3.0%	£0.33	2.6%
Pension age	£18.18	£0.58	3.3%	£0.00	0.0%
Total	***£16.14***	***£1.09***	***7.2%***	***£0.79***	***5.2%***

Model 3: Average weekly CTR £/week

The average weekly CTR received by working-age households still eligible for support increases by 9.4% when compared to the current scheme, and by 8.1% when comparing to the current scheme retained in 2018/2019. The average increase in weekly CTR compared to the current scheme is 17.4% for vulnerable households, whilst for non-vulnerable households it is just 3.0%.

5.2 Number of households losing support

Under this model, just 67 claimants will no longer receive any support. This means that administrative savings under this model are minimal, as there are just 67 fewer cases to be processed. 51 of these are non-vulnerable households, while the remaining 16 are classed as vulnerable. The reason why 16 vulnerable households drop out (despite the protection coded in for this model) is that they are all households with non-dependants, who face higher non-dependent deductions as a result of aligning the scheme with the 2017/18 default regulations (model 1).

5.3 Impact analysis

Under this model, the impact across different non-vulnerable households is the same as seen in model 1.

For vulnerable households, increases in support are generally evenly spread against type of household. The only notable exception is that employed vulnerable households see a marginally bigger increase in average weekly CTR of 19.3% compared to 18.4% for households on out-of-work benefits or self-employed households.

Any variations between different vulnerable groups are largely the same as those seen for vulnerable households in model 1.

5.4 Summary

	Advantages	**Disadvantages**
Cost	Expenditure on non-vulnerable households (£9.3m) is the same as in model 1.	£27.3m total model cost – of which £17.8m working age, 9.5m pension age. Minimal administrative savings.
Political & Social Impact	Vulnerable households effectively protected, with households only losing support through non-dependent deductions, employment, or single person discount. Vulnerable households benefit evenly across council tax band, tenure type, household type and economic status from isolated impact of increased level of support to 100%.	Households not in receipt of Housing Benefit face big reductions in CTR under this model due to the impact of aligning the scheme with the default 2017/18 regulations.

Model 3: Summary

6.0 Model 4: Current scheme aligned with 2017/2018 regulations, plus minimum contribution increased to 22%

Model 4: Current scheme aligned with 2017/18 default regulations and minimum contribution increased from 15% to 22% for 2018/19

The current scheme is aligned with the 2017/2018 default regulations (model 1) and the minimum contribution towards Council Tax liability is increased from 15% to 22% for working-age claimants.

For all claimants, modelling includes:

- An increase in council tax liability of 3.0% for 2018/19
- Presumed migration of 28% of eligible households to Universal Credit
- An increase in the National Living Wage (NLW) to a projected £8.00/hour
- An increase in the personal tax allowance to £12,000/annum
- JSA, ESA, CB, and LHA rates are frozen at current levels
- Work allowances are reduced for all claimants migrating to Universal Credit

This model will:

- Demonstrate the cost and social impact of aligning the scheme with the 2017/18 default regulations and increasing the minimum contribution to 22% in 2018/19.

6.1 Cost

Annual Cost

	Scheme cost	Comparison to current scheme cost		Comparison to uprated current scheme cost	
Group	**(£/annum)**	**Change (£/annum)**	**Change (%)**	**Change (£/annum)**	**Change (%)**
All working-age	£14,918,996	-£1,403,882	-8.6%	-£1,595,846	-9.7%
Vulnerable	*£6,508,796*	*-£707,769*	*-9.8%*	*-£864,017*	*-11.7%*
Non-vulnerable	*£8,410,200*	*-£696,113*	*-7.6%*	*-£731,829*	*-8.0%*
Pension age	£9,472,779	£303,417	3.3%	£0.00	0.0%
Total	***£24,391,775***	***-£1,100,465***	***-4.3%***	***-£1,595,846***	***-6.1%***

Model 4: Total cost of model (£/annum)

Increasing the minimum contribution to 22% makes £1.1m in savings compared to current expenditure on CTR. The model provides savings of 6.1% (£1.6m) when compared to the cost of retaining the current scheme into 2018/19.

Vulnerable households see a decrease in support of 9.8%, compared to 7.6% for non-vulnerable households. This difference reflects the impact seen in model 1 of aligning the scheme to the 2017/18 default regulations.

The isolated impact of increasing the minimum contribution under this model affects vulnerable and non-vulnerable households more or less equally, so that the impact of model 1 one still shows.

The cost for working-age households will be £14.9m in 2018/19. £6.5m is attributed to vulnerable households and £8.4m to non-vulnerable households.

Weekly CTR

All households still in receipt	Scheme cost	Comparison to current scheme cost		Comparison to uprated current scheme cost	
Group	Average (£/w	Change (£/week)	Change (%)	Change (£/week)	Change (%)
All working age	£12.85	-£1.08	-7.7%	-£1.24	-8.8%
Vulnerable	£13.95	-£1.42	-9.2%	-£1.75	-11.1%
Non-vulnerable	£12.11	-£0.85	-6.6%	-£0.90	-6.9%
Pension age	£18.18	£0.58	3.3%	£0.00	0.0%
Total	***£14.50***	***-£0.55***	***-3.7%***	***-£0.85***	***-5.5%***

Model 4: Average weekly CTR £/week

Under this model, the average level of CTR for working-age households decreases by 7.7% compared to the current scheme. This differs slightly from the change in annual CTR expenditure due to the 214 households that lose support under this model. This reduction in numbers means that the average is calculated over a smaller number of households still eligible (and is therefore slightly higher). Again, the average vulnerable household will experience a slightly greater decrease in weekly CTR than a non-vulnerable household.

Administration cost

Due to reduction in the number of claimants under this model, it is estimated that administration costs will reduce (albeit minimally) by 0.5%.

Administration costs in model 4, compared to current-uprated scheme			
Group	model 4(£/annum)	Change (£/annum)	Change (%)
All working-age	£3,747,978	-£35,922	-0.9%
Pension age	£1,681,957	£0	0.0%
Total	***£5,429,935***	***-£35,922***	***-0.7%***

Reduction in claim numbers under this model, from 22,542 working-age claimants to 22,328, would result in savings of £35,922 per annum.

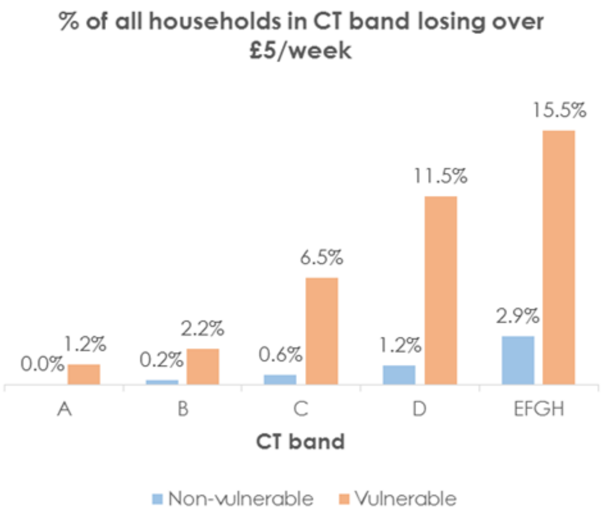
6.2 Number of households losing support

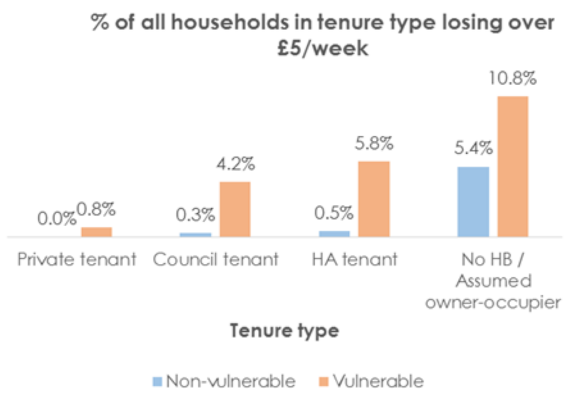
Under this model, 214 claimants will no longer receive support. 156 of these are non-vulnerable households, whilst the remaining 58 are vulnerable households.

96 of these households lost support under model 1 and so loss of support can be attributed to aligning the model with the 2017/18 default regulations. The remaining 118 households lose support due to increasing the minimum contribution to 22% of Council Tax liability.

6.3 Impact analysis

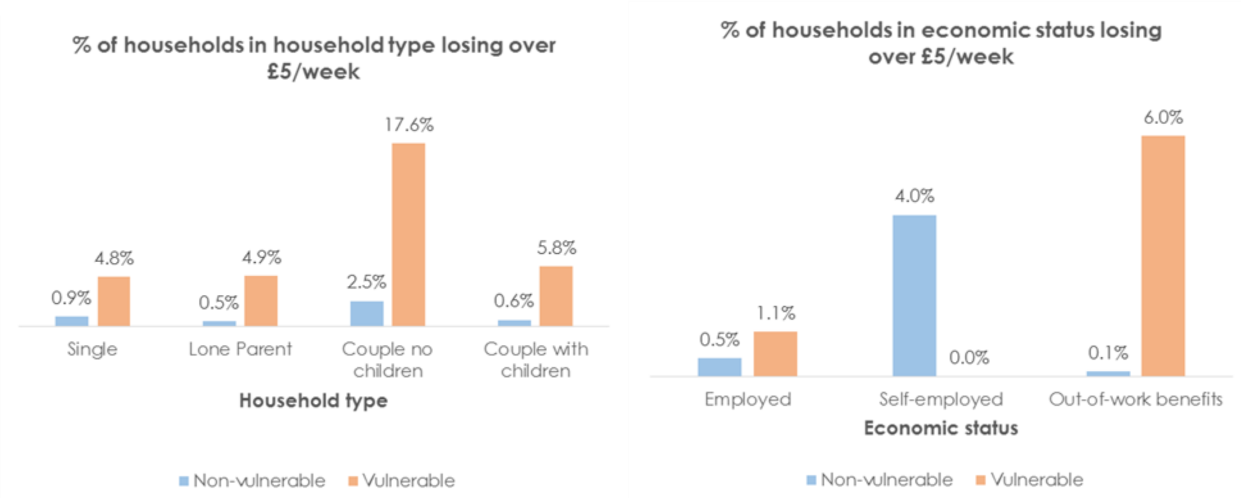
Because the increase in minimum contribution under this model affects households evenly across CT band, tenure type, household type and economic status group, the variations seen within them are the same as for model 1. However, even though patterns of impact remain the same, the increase in minimum contribution means a greater proportion of households will lose more than £5/week.





Model 4: % of all households by CT band and tenure type losing more than £5/week

- A greater proportion of those in higher CT bands lose more than £5/week compared to households in lower CT bands. 5.5% of vulnerable households in bands E, F, G and H will lose over £5/week.
- A greater proportion of households not in receipt of Housing Benefit (assumed to be owner-occupiers or households in receipt of UC no longer captured within the SHBE extract) are more likely to lose over £5/week than any other tenure types.
- A greater proportion of couples without children are more likely to lose over £5/week in average CTR compared to other household types.
- A greater proportion of vulnerable households in receipt of out-of-work benefits and self-employed non-vulnerable households will lose more than £5/week than other economic groups.



Model 4: % of all households in household type, economic status losing support

The complete impact assessment tables for this model are provided in the supplementary report.

6.4 Summary

	Advantages	Disadvantages
Cost	£24.4m £1.1m in savings relative to 2017/2018 and £1.6m cheaper than retaining current scheme through to 2018/2019.	Minimal administrative savings.
Political & Social Impact	For non-vulnerable households, this model provides some work incentives. Households in employment see a smaller reduction in CTR than those in receipt of out-of-work benefits. The increase in minimum contribution affects different households evenly.	The increase in minimum contribution in this model affects vulnerable and non-vulnerable households evenly. However vulnerable households lose a higher proportion of support due to aligning the scheme with 2017/18 default regulations. Households not in receipt of Housing Benefit (owner-occupiers or households on UC) face big reductions in CTR in a similar manner to model 1.

Model 4: Summary

7.0 Model 5: Current scheme brought up to date with 2017/2018 regulations, plus £1.2m in savings by 2019/2020

Model 5: Current scheme brought up to date with 2017/2018 regulations, plus £1.2m in savings by 2019/2020 (relative to 2017/2018)

The model is brought up to date with 2017/2018 default regulations (model 1), plus minimum contribution towards Council Tax liability is increased from 15% to 23.5% in order to make £1.2m in savings by 2019/2020 (relative to 2017/2018).

For all claimants, modelling includes:
- An increase in council tax liability of 3.0% for 2018/19, and of 3.0% for 2019/2020
- Presumed migration of 42% of eligible households to Universal Credit
- An increase in the National Living Wage (NLW) to a projected £8.40/hour
- An increase in the personal tax allowance to £12,250/annum
- JSA, ESA, CB, and LHA rates are frozen at current levels
- Work allowances are reduced for all claimants migrating to Universal Credit

This model will:

- Show the minimum contribution required to make savings of £1.2m by 2019/20.
- Demonstrate the combined impact of updating the current scheme and increasing the minimum contribution to 23.5%

7.1 Cost

Annual Cost

	Scheme cost	Comparison to current scheme cost		Comparison to uprated current scheme cost	
Group	(£/annum)	Change (£/annum)	Change (%)	Change (£/annum)	Change (%)
All working-age	£14,444,934	-£1,877,944	-11.5%	-£2,069,909	-12.5%
Vulnerable	*£6,367,593*	*-£848,972*	*-11.8%*	*-£1,005,220*	*-13.6%*
Non-vulnerable	*£8,077,341*	*-£1,028,973*	*-11.3%*	*-£1,064,689*	*-11.6%*
Pension age	£9,804,551	£635,189	6.9%	£331,772	3.5%
Total	***£24,249,485***	***-£1,242,755***	***-4.9%***	***-£1,738,137***	***-6.7%***

Model 5: Total cost of model (£/annum)

In order to make £1.2m in savings by 2019/2020, the minimum contribution to Council Tax liability will need to increase from its current level of 15% to 25%. The model provides savings of 6.7% (£1.7m) when compared to the cost of retaining the current scheme into 2018/19.

£0.8m in savings is achieved from non-vulnerable households, whilst £1.0m comes from reductions experienced by vulnerable households. This leaves total CTR of £8.1m for non-vulnerable households and £6.4m for vulnerable households.

The total savings that will need to be made from working-age households are actually just under £1.9m. This is to take account of the extra £0.6m of CTR that will be spent on pension-age households by 2019/2020 compared to 2017/2018.

Weekly CTR

All households still in receipt	Scheme cost	Comparison to current scheme cost		Comparison to uprated current scheme cost	
Group	Average (£/w	Change (£/week)	Change (%)	Change (£/week)	Change (%)
All working-age	£12.83	-£1.10	-7.9%	-£1.26	-8.9%
Vulnerable	£13.76	-£1.61	-10.5%	-£1.94	-12.4%
Non-vulnerable	£12.18	-£0.78	-6.0%	-£0.83	-6.4%
Pension age	£18.82	£1.22	6.9%	£0.64	3.5%
Total	***£14.72***	***-£0.33***	***-2.2%***	***-£0.62***	***-4.1%***

Model 5: Average weekly CTR (£/week)

The average weekly CTR received by working-age households still eligible for support falls by 7.9% when compared to the current scheme, and by 8.9% when comparing to the current scheme retained in 2018/2019. This is lower than the total reduction in annual CTR seen above, due to 857 households losing support altogether under this model and reducing the figure over which the average is taken.

Because the vast majority of the households that lose support altogether are classed as non-vulnerable, average support for non-vulnerable households falls by significantly less than for vulnerable households.

Impact of increasing minimum contribution

Comparing weekly CTR received between this model and model 1 enables the impact of the 25% minimum contribution to be isolated from the impact of aligning the scheme with 2017/2018 default regulations.

Group	CTS in scheme 1 (£/week)	CTS in scheme 5 (£/week)	% change
Vulnerable	£15.24	£13.76	-9.7%
Non-vulnerable	£13.34	£12.18	-8.7%

Model 5: Impact of increasing the minimum contribution, vulnerable v non-vulnerable

Isolation of the impact shows similar reduction in weekly support for both vulnerable and non-vulnerable households.

Administration cost

Due to reduction in the number of claimants under this model, it is estimated that administration costs will reduce by 3.9%.

Administration costs in model 5, compared to current-uprated scheme			
Group	**Model 5 (£/annum)**	**Change (£/annum)**	**Change (%)**
All working-age	£3,634,505	-£149,395	-3.9%
Pension age	£1,681,957	£0	0.0%
Total	***£5,316,462***	***-£149,395***	***-2.7%***

Reduction in claim numbers under this model, from 22,542 working-age claimants to 21,685, would result in savings of £149,395 per annum.

7.2 Number of households losing support

Under this model, 857 claimants will no longer receive support. 751 of these are non-vulnerable households, whilst the remaining 105 are vulnerable households. Over half of these are employed households, suggesting that they lose support due to increased income. This will be due to increases in the minimum wage and reductions in work allowances for those in receipt of Universal Credit.

CTR is considerably less generous under Universal Credit and this affects 584 of those losing support altogether. This is because regulations outlining the payment of CTR under UC omitted to include mention of earning reductions in the calculation of income. This means that strict adherence to the default scheme will have the effect of lowering support levels for working households moving to Universal Credit.

7.3 Impact analysis

The impact of increasing the minimum contributions together with an increased number of households in receipt of Universal Credit by 2019/20 and the increased minimum wage in 2019/20 has the effect of slightly reducing disparity between vulnerable and non-vulnerable groups compared to models 1 and 2. In particular, support is reduced to employed households and this has an impact on groups (such as households with children) where employment is most likely.

For vulnerable groups, patterns of loss in support are generally the same as in model 1.

Impact analysis – Council Tax band

For non-vulnerable households, the impact across Council Tax band is fairly even. By comparison, higher banded vulnerable households face a greater decrease in CTR than lower-banded households as with model 1. The isolated impact of increasing the minimum contribution to 25% is almost completely even across bands for both vulnerable and non-vulnerable households.

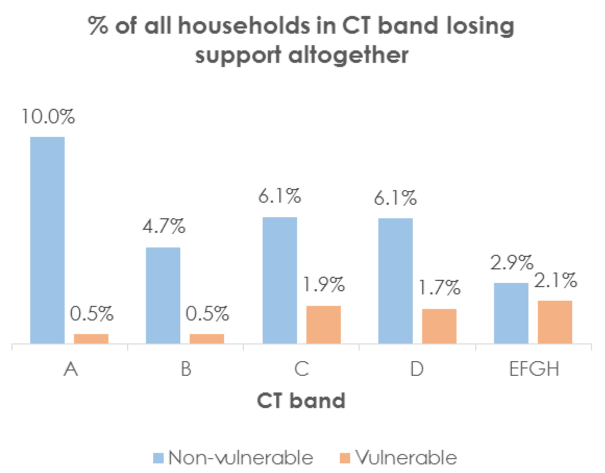
Annual CTS received by non-vulnerable households: model 5 vs current, current-uprated			
Band	Total CTS in model 5 (£/annum)	Change compared to current scheme (%)	Change compared to current-uprated scheme (%)
A	£468,559	-9.9%	-10.7%
B	£2,396,758	-11.4%	-11.7%
C	£2,314,026	-12.5%	-12.2%
D	£1,335,493	-11.5%	-11.8%
EFGH	£1,562,504	-9.6%	-11.0%
Total	***£8,077,340***	***-11.3%***	***-11.6%***

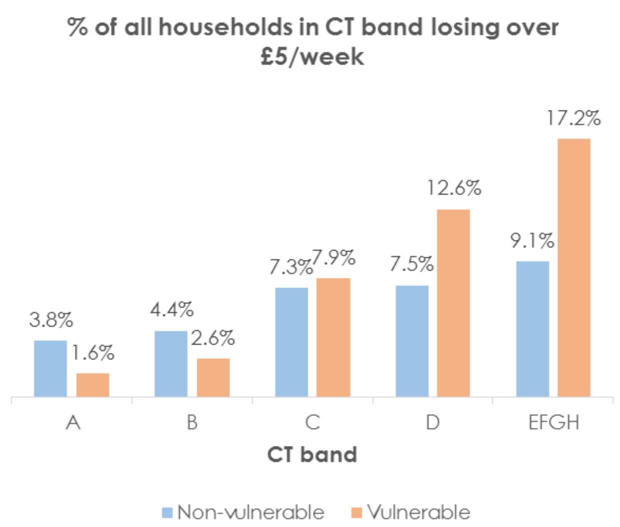
Annual CTS received by vulnerable households: model 5 vs current, current-uprated			
Band	Total CTS in model 5 (£/annum)	Change compared to current scheme (%)	Change compared to current-uprated scheme (%)
A	£430,595	-9.7%	-11.4%
B	£2,305,415	-9.6%	-11.4%
C	£1,850,213	-12.2%	-14.1%
D	£953,012	-14.1%	-16.0%
EFGH	£828,358	-14.9%	-17.0%
Total	***£6,367,593***	***-11.8%***	***-13.6%***

Model 5: Total reduction in CTR received, by band

Vulnerable households in higher bands are more likely to lose support altogether or lose more than £5/week and this reflects the pattern in model 1. However, as the minimum contribution has increased significantly the percentage of households losing more than £5/week has increased greatly. Notably, 17.2% of vulnerable households in bands EFG and H will lose more than £5/week.

A difference to model 1 is seen in the impact on non-vulnerable groups whereby those in CT band A are most likely to lose support altogether.





Model 5: Percentage of households in CT band losing support altogether, or losing over £5/week

Impact analysis – Tenure

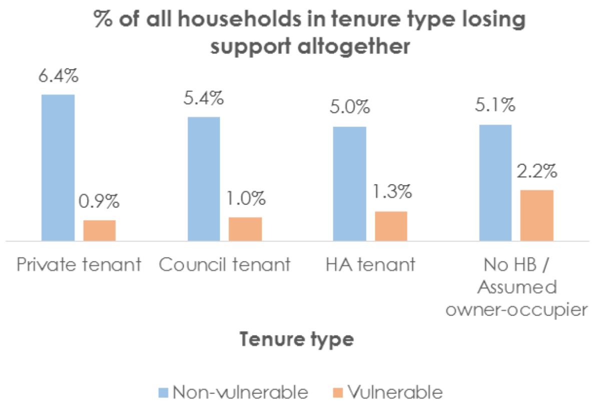
As with model 1, households not in receipt of Housing Benefit face the most considerable reductions. However, the impact on private tenants is also increased by this model. This is because private tenants are more likely to be in work they are effected more by the increase in the minimum wage to 2019/20 levels and migration to Universal Credit.

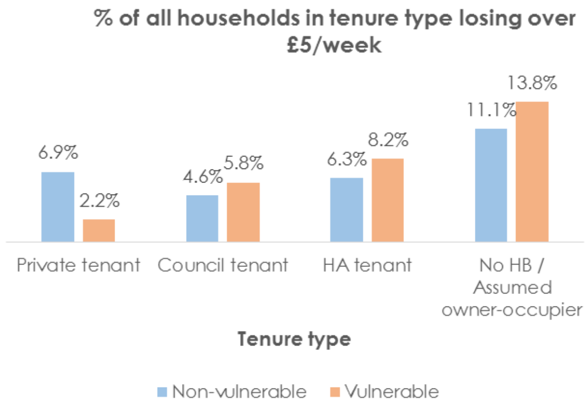
Annual CTS received by non-vulnerable households: model 5 vs current, current-uprated			
Tenure type	**Total CTS in model 5 (£/annum)**	**Change compared to current scheme (%)**	**Change compared to current-uprated scheme (%)**
Private tenant	£2,461,583	-13.5%	-12.5%
Council tenant	£2,204,586	-10.0%	-10.7%
HA tenant	£3,016,219	-9.5%	-10.7%
No HB / Assumed owner-occupier	£394,954	-16.9%	-18.2%
Total	***£8,077,340***	***-11.3%***	***-11.6%***

Annual CTS received by vulnerable households: model 5 vs current, current-uprated			
Tenure type	**Total CTS in model 5 (£/annum)**	**Change compared to current scheme (%)**	**Change compared to current-uprated scheme (%)**
Private tenant	£884,404	-9.4%	-10.4%
Council tenant	£2,404,767	-11.4%	-13.3%
HA tenant	£2,887,995	-12.4%	-14.5%
No HB / Assumed owner-occupier	£190,427	-16.8%	-18.5%
Total	***£6,367,593***	***-11.8%***	***-13.6%***

Model 5: Change in CTR received, by tenure type

Non-vulnerable private tenants under this model are also more likely to lose support than other groups.





Model 5: Percentage of households in tenure type losing support altogether, or losing over £5/week

Those not in receipt of Housing Benefit are the group most likely to lose over £5/week under this model, showing the same pattern as model 1.

Impact analysis – Household type

Couples without children lose the greatest amount of support. For vulnerable groups this maintains the patter of models 1 and 2. However, under this model there is also a significant reduction in support for non-vulnerable households without children, who lose 19.0% of support. Working couples without children will have higher incomes, and therefore reduced support, due to reductions in work allowances under Universal Credit.

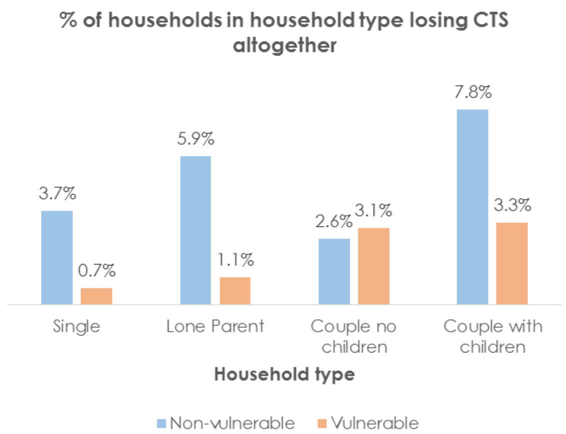
Couples with children also face significant reduction in support and this is because couples with children are particularly likely to be in work, and as such be negatively impacted by the higher minimum wage and personal tax allowances by 2019/2020.

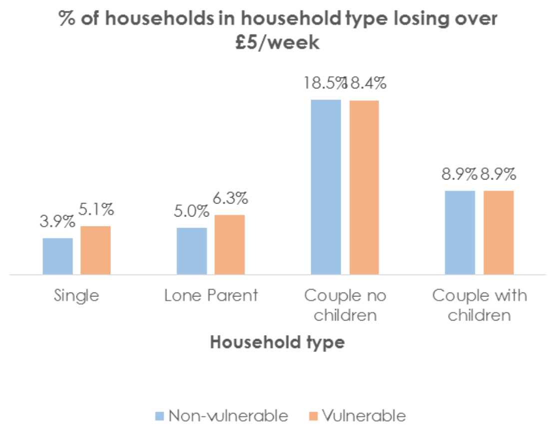
Annual CTS received by non-vulnerable households: model 5 vs current, current-uprated			
Household type	**Total CTS in model 5 (£/annum)**	**Change compared to current scheme (%)**	**Change compared to current-uprated scheme (%)**
Single	£2,431,105	-9.3%	-11.1%
Lone Parent	£2,710,968	-7.3%	-9.6%
Couple no children	£357,328	-23.6%	-19.0%
Couple with children	£2,577,940	-15.0%	-13.2%
Total	***£8,077,340***	***-11.3%***	***-11.6%***

Annual CTS received by vulnerable households: model 5 vs current, current-uprated			
Household type	**Total CTS in model 5 (£/annum)**	**Change compared to current scheme (%)**	**Change compared to current-uprated scheme (%)**
Single	£3,817,537	-11.4%	-13.3%
Lone Parent	£1,149,366	-10.0%	-12.3%
Couple no children	£421,650	-18.6%	-20.3%
Couple with children	£979,041	-11.9%	-13.2%
Total	***£6,367,593***	***-11.8%***	***-13.6%***

Model 5: Change in CTR received, by household type

Under this model, a bigger proportion of the households that lose support altogether have children. 7.8% of all non-vulnerable couples with children lose support altogether, while 5.9% of all non-vulnerable lone parents do. Similarly, 3.3% of all vulnerable couples with children lose support altogether. A considerable proportion of couples with children and lone parents also lose over £5/week, however in this case it is couples without children that are most heavily affected.





Model 5: Percentage of households in household type losing support altogether, or losing over £5/week

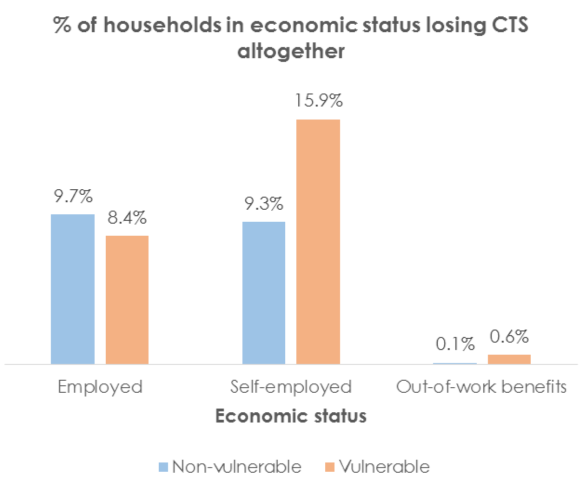
Impact analysis – Economic status

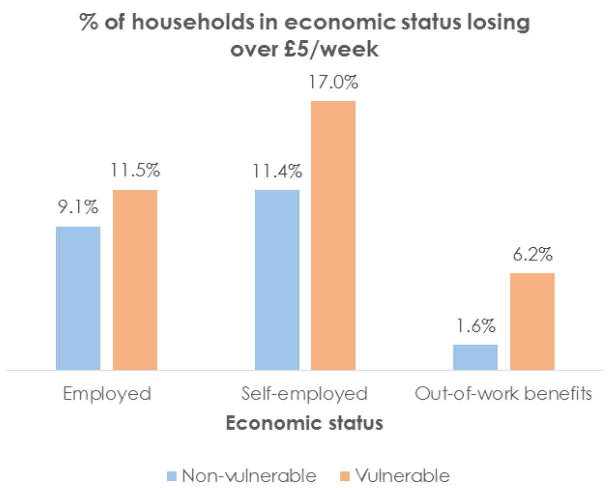
Annual CTS received by non-vulnerable households: model 5 vs current, current-uprated			
Economic status	Total CTS in model 5 (£/annum)	Change compared to current scheme (%)	Change compared to current-uprated scheme (%)
Employed	£3,074,207	-16.6%	-14.4%
Self-employed	£982,538	-11.7%	-11.7%
Out-of-work benefits	£4,020,596	-6.6%	-9.4%
Total	***£8,077,341***	***-11.3%***	***-11.6%***

Annual CTS received by vulnerable households: model 5 vs current, current-uprated			
Economic status	Total CTS in model 5 (£/annum)	Change compared to current scheme (%)	Change compared to current-uprated scheme (%)
Employed	£372,429	-16.3%	-14.6%
Self-employed	£62,995	-20.0%	-12.4%
Out-of-work benefits	£5,932,169	-11.4%	-13.6%
Total	***£6,367,593***	***-11.8%***	***-13.6%***

Model 5: Change in CTR received, by economic status

Under this model, employed households see the biggest reductions. For example, non-vulnerable employed households see a reduction of 14.4% compared to 9.4% for households in receipt of out-of-work benefits. Once again, this reflects the impact of uprating the minimum wage and personal tax allowance to projected 2019/2020 levels and the reduction in work allowances under Universal Credit.





Model 5: Percentage of households in economic status losing support altogether, or losing over £5/week

In terms of households losing support altogether, this model affects self-employed households hardest. Employed households are this time considerably more likely to lose support altogether than households in receipt of out-of-work benefits, for both non-vulnerable and vulnerable households. Similarly, while 9.1% of non-vulnerable employed and 11.5% of vulnerable employed households lose over £5/week, just 1.6% of non-vulnerable unemployed and 6.1% of vulnerable unemployed households do so.

7.4 Summary

	Advantages	Disadvantages
Cost	£24.2m £1.2m in savings relative to 2017/2018 expenditure, £1.7m relative to expenditure if current scheme retained through to 2018/2019	Some administrative savings.
Political & Social Impact	Vulnerable and non-vulnerable households affected more equally under this model, due to the impact of updating for 2019/2020 that hits non-vulnerable households harder. The increase in minimum contribution affects different households evenly.	This model has an adverse impact on employed households and consequently households with children who are more likely to be in employment. This is due to the increase in the minimum wage and personal tax allowance by 2019/2020, together with the reduced work allowances under Universal Credit. Households not in receipt of Housing Benefit face large reductions in CTR under this model.

Model 5: Summary

8.0 FURTHER CONSIDERATIONS

This report does not seek to provide recommendations. Any decision on how to balance cost savings, administrative savings, fairness, hardship and support for groups will obviously be informed by the specific priorities and objectives of the council. The council will also need to consider the impact on other council services and other funding streams that provide support.

Some of the issues that the council might wish to consider are listed below.

Work incentives

Universal Credit will be significantly less generous than tax credits under the current regime. The Local Government Association (LGA)[1] calculated that even before the Autumn Statement 2015, and the impacts in 2016 and 2017, a third of welfare reform savings came from the working poor. The authority may wish to consider the effects of possible further hardship to this group. Particularly vulnerable are the working poor who are also private-rented tenants. This group is likely to migrate to Universal Credit at a faster rate than owner-occupiers or social housing tenants as private-rented tenants show a significantly higher level of changes in circumstance that would trigger a new claim thus hastening migration to Universal Credit.

The self-employed are also likely to be affected by the move to Universal Credit as income will be assessed on the minimum wage rather than actual earnings. For many, this will result in benefit support based on a significantly higher notional income than is received by the household.

Changes to Child Tax Credits

Changes to tax credits coming into effect in April 2017 mean that families will not be able to claim Child Tax Credit (CTC) for third and subsequent children born after April 2017. In addition to this, the family element of CTC will be removed for any children born after April 2017 under Universal Credit, but maintained for the current system if a household's eldest child was born before April 2017. Based on the birth rates seen in this cohort among households that already have three or more children, 641 households who already have two or more children will have an extra child in the next year and be impacted by these changes.

[1] The local impacts of welfare reform. An assessment of cumulative impacts and mitigations. A report commissioned from the Centre for Economic and Social Inclusion by the Local Government Association. Tony Wilson, Gareth Morgan, Afzal Rahman, Lovedeep Vaid, August 2013

Tenants

At least 20% of welfare benefit savings have been made from tenants, currently three quarters of this amount has been saved from private-rented tenants, mostly through implementation of Local Housing Allowance cuts. The extension of Local Housing Allowance limits to the social-rented sector may see a significant increase in hardship for tenants in this sector. The LGA calculated that private-rented tenants have already lost about £25 per week in benefit income and those in the social-rented sector £14 per week. The authority may wish to consider hardship implications of reduced support for this group. In particular, if tenants fall within more than one group that has been particularly hit by welfare reform. For example, 34% of private-rented tenants receiving Housing Benefit are working and 33% of private-rented tenants are in receipt of DLA/PIP or Attendance Allowance. The groups that have multiple risk factors will be of significant risk of hardship and non-payment of council tax if a CTR scheme significantly reduces support over more than one of these areas.

Impact on other discretionary schemes

There may be more pressure on these schemes with the introduction of LHA to the social-rented sector, together with the roll out of Universal Credit and consideration of the impact of these changes, taken together with a reduction in support through CTR, may be prudent.

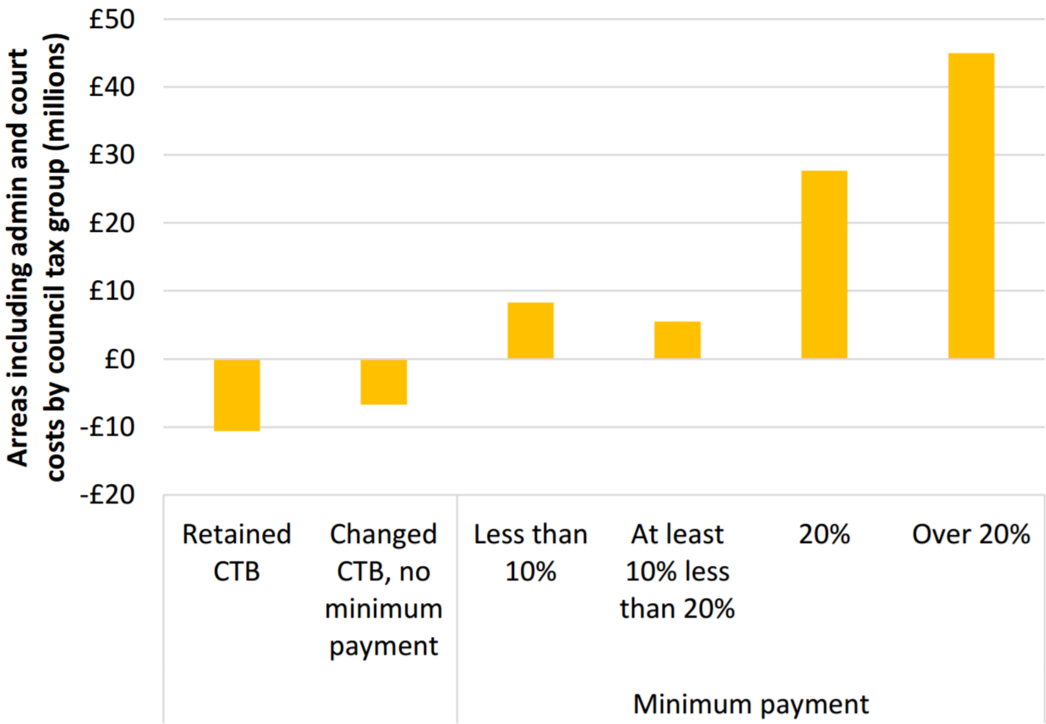
Administration costs

At present, CTR is an expensive scheme to administer. It is based on the Housing Benefit scheme where income is compared to needs and support tapered off if income exceeds the needs level. The scheme has complex rules around treatment of types of income, needs allowances and related premiums. The Housing Benefit amounts paid to support rent costs are relatively high and so the administration costs for Housing Benefit is a relatively small proportion of scheme costs. However, weekly council tax reduction is at a much lower level so the proportion of costs to cover scheme administration is considerably higher. Any move to a scheme that is administratively simpler would create savings with no impact on support. This will be of particular merit once Universal Credit is fully implemented. Currently the differential cost of assessing a CTR claim alongside a Housing Benefit scheme is likely to be less than for a CTR only claim. Once housing costs are incorporated into Universal Credit, all CTR claims will be standalone claims and so any administration cost reduction will create greater savings.

Cost of arrears

Research undertaken by the New Policy Institute (NPI) indicates a strong relationship between levels of minimum payment of Council Tax, defined by the local CT Reduction Scheme, and arrears and collection rates. Councils will need to balance the need to save money on Council Tax reduction and the impact this will have on arrears and the associated costs. There may be a point at which increasing the minimum contribution is no longer viable. The research by NPI indicated that there is a marked increase in arrears where minimum payment is above 20% of CT liability. Councils with no minimum charge, or a charge below 10%, have seen little or no increase in arrears costs.

The graph, below, is taken from the report:



Source: NPI analysis of collection rates and receipts of council tax and non-domestic rates in England, DCLG; the data is a comparison of 2015/16 with 2012/13.

Additional uncollected tax (including admin and court costs) 2012/13 to 2015/16, by minimum contribution.

Nationally, since the introduction of localised Council Tax Reduction Schemes, the level of both net collectible debt and arrears has risen. However, although there is a strong relationship between minimum payment level and changes in cost of arrears, the NPI report also states that this is not uniform across authorities. It does, to some extent, depend on local support and collection action. Therefore, in adopting a new model of support, the authority may wish to consider the impact on arrears, the collection strategy and measures to assist those in arrears.

<u>CTR Subsidy</u>

Central Government funding for CTR is predicted to fall with the result that councils will increasingly need to meet scheme costs through other means. Subsidy for payment of CTR was initially set at 90% of forecast expenditure for the year 2014/15. Although funding for Council Tax Reduction was identified within councils' overall Settlement Funding Assessment figures in 2013/14, from 2014/15 onwards it has not been possible to separately identify the level of funding to each council. A report by the LGA states that "Although the Government claims that the top-level transfer indicates that CTR funding has not been cut further, in practice allocations to councils are reducing[2]". The LGA also calculated that if funding for CTR is reduced in line with overall funding to councils then, by 2017, there will have been a reduction of 28%[3].

Government subsidy towards administration funding is based on the predicted 2014/15 caseload and is at a low level (£11 per case). The low level of subsidy recognises that, for the most part, CTR is administered alongside Housing Benefit claims. However, as CTR schemes become increasingly separate from Housing Benefit assessment and as housing costs within Universal Credit replace Housing Benefit, this will no longer be the case. There are currently no plans to increase the subsidy to cover the additional administration costs following full implementation of Universal Credit. It would therefore be beneficial for an authority to minimise administration costs in any revised CTR scheme.

[2] Rewiring Public Services - Council Tax Support. Published by the Local Government Association

[3] Rewiring Public Services - Council Tax Support. Published by the Local Government Association