

Appendix 1 - Council Tax Reduction Scheme 2021-22

1. Income Banded Schemes

Income banded schemes award different levels of support based on set bands of income.

Three models have been considered when looking at an income-banded scheme.

Full migration to Universal Credit is not expected before 2024. A 20% increase in Universal Credit applications has been anticipated for the purpose of the 2021-2022 Income Banded Scheme.

Model 1 is a simple scheme made up of five income bands with maximum support of 80% as under the current scheme.

Model 2 is the same as Model 1 except for an additional 5% uplift to Council Tax Support for households in receipt of disability or illness benefits in respect of the claimant or their partner (subject to a maximum level of support of 80%).

The following objectives were considered:

- Maintain the maximum basis of award of 80% of liability
- Protect disabled households
- Simplify assessments and reassessments
- Maintain costs in line with the current scheme in 2021-22
- Understand the impact on specific groups based on gender, disability and age

Model 3 is a further model but with maximum support of 70%, except for households in receipt of disability or illness benefits which will have support uplifted by 10% to 80% in Band 1.

2. Models 1, 2 and 3 v current scheme 2021-22

	Current scheme	Model 1	Model 2	Model 3
Cost	£9.44 million	£9.43 million	£9.44 million	£9.19 million
Claim numbers	5,340	75.5% of households fall into Band 1 with maximum support of 80% 25 households are no longer eligible due to their income	75.5% of households fall into Band 1 with maximum support of 80% 25 households are no longer eligible due to their income	75.5% of households fall into Band 1. 34.3% have 70% support. 41.2% have 80% support. 25 households are no longer eligible due to their income being

		<p>being higher than the upper earnings threshold.</p> <p>286 households will see their support reduce by more than £5 per week including households in receipt of disability or illness benefits.</p> <p>505 households will gain more than £5 per week.</p> <p>Both losers and gainers tend to be larger households which are employed or self-employed.</p> <p>Legacy benefit households are more likely to lose compared to their Universal Credit counterparts.</p>	<p>being higher than the upper earnings threshold.</p> <p>268 households will see their support reduce by more than £5 per week. Those in receipt of disability or illness benefits will have an uplift of 5%.</p> <p>508 households will gain more than £5 per week.</p> <p>Both losers and gainers tend to be larger households which are employed or self-employed.</p> <p>Legacy benefit households are more likely to lose compared to their Universal Credit counterparts.</p>	<p>higher than the upper earnings threshold.</p> <p>281 households will see their support reduce by more than £5 per week.</p> <p>471 households will gain more than £5 per week.</p> <p>Fewer households gain because of the reduced maximum support</p> <p>Unlike the previous models, Model 3 reduces support across households in receipt of Universal Credit and households in receipt of legacy benefits. Universal Credit claimants remain less negatively impacted, however.</p>
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		<p>Employed households in receipt of Universal Credit see the largest average increase in Council Tax Support, followed by lone parents and couples with children in receipt of Universal Credit.</p> <p>Households in receipt of legacy benefits will generally see a reduction in Council Tax Support.</p>	<p>The increase in support for couples with children is also slightly greater than under Model 1 reflecting that some of these households now benefit from the 5% uplift.</p> <p>Although the general pattern of redistribution from legacy households to Universal Credit households remains, the reduction among households in receipt of legacy benefits is generally smaller.</p>	<p>Employed households and couples with children in receipt of Universal Credit see and increase in Council Tax Support.</p> <p>More groups in Model 3 see a reduction in support. These include couples with no children in receipt of Universal Credit, couples with children in receipt of legacy benefits and households in receipt of out of work benefits, both Universal Credit and legacy.</p>
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3. Earnings breakdown under Models 1, 2 and 3

Band	No children	1-2 children	3+ children
Band 1	Passported/max UC	Passported/max UC	Passported/max UC
Band 2	Less than £316	Less than £387	Less than £441
Band 3	£316- less than £632	£387 - less than £775	£441 - less than £883
Band 4	£632 - less than £948	£775 - less than £1,163	£883 - less than £1,325

Band 5	£948 - less than £1,264	£1,163 - less than £1,551	£1,325 - less than £1,767
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4. Numbers of awards per household for Models 1, 2 and 3

	Band 1		Band 2		Band 3		Band 4		Band 5		Total
	Max Award	No.	Max Award	No.	Max Award	No.	Max Award	No.	Max Award	No.	
Model 1	80%	4,100	65%	270	50%	661	25%	268	10%	80	5,379
Model 2	80%	4,100	65% 70%	234 36	50% 55%	601 60	25% 30%	236 32	10% 15%	65 15)) 5,379
Model 3	70% 80%	1,865 2,235	65% 70%	234 36	50% 55%	601 60	25% 30%	236 32	10% 15%	65 15)) 5,379

5. Comparison of weekly support for Models 1, 2 and 3 to current scheme

Comparison of Council Tax Support (£/week) 2021-22				
	Current scheme	Model 1	Model 2	Model 3
All working age	£18.57	£18.51	£18.56	£17.68
Legacy benefits	£19.13	£18.38	£18.42	£17.84
Universal Credit	£17.80	£18.70	£18.74	£17.47
CT Band				
A	£14.97	£15.00	£15.02	£14.38
B	£17.28	£17.51	£17.53	£16.66
C	£19.14	£19.20	£19.25	£18.34
D	£21.04	£20.62	£20.70	£19.69
EFGH	£27.96	£25.98	£26.08	£25.02
Tenure type				
Private tenant	£17.41	£16.97	£17.03	£16.35
No HB	£19.09	£19.61	£19.65	£18.12
Supported housing	£18.10	£17.82	£17.87	£17.67
HA tenant	£18.74	£18.61	£18.65	£17.93

Temporary accommodation	£18.95	£18.10	£18.14	£17.30
Tenure Unknown	£16.66	£18.83	£18.83	£17.01
Household type				
Single	£17.93	£17.57	£17.59	£17.08
Lone Parent	£17.45	£18.53	£18.54	£17.11
Couple no children	£23.67	£21.70	£21.82	£21.46
Couple with children	£21.23	£19.90	£20.06	£19.37
Economic Status				
Employed	£12.75	£13.51	£13.65	£13.21
Out of work benefits	£20.41	£20.40	£20.40	£19.32
Self-employed	£18.84	£14.90	£15.08	£15.06
Barriers to work				
DLA or similar	£19.96	£19.62	£19.76	£19.76
ESA or similar	£20.60	£20.32	£20.36	£20.36
Lone Parent child under 5	£18.05	£19.13	£19.13	£17.13
Carer	£22.84	£22.85	£22.97	£22.02

6. How these models meet the Council's objectives

6.1 Maintain maximum level of protection

Models 1 and 2 maintain the maximum level of support in line with the current scheme of 80%.

Model 3 maintains the maximum level of support for households with an illness or disability benefit of 80%.

80% maximum support is consistent with many other Kent authorities.

6.2 Protect disabled households

Model 2 protects households living with an illness or disability in bands 2-5. Support is increased by an additional 5% for households in which the claimant or partner receives DLA/PIP or ESA.

Model 3 protects households living with an illness or disability in all bands 1-5.

6.3 Simplify assessments and reassessments

Models 1, 2 and 3 only require basic household information to calculate the initial award. All models only require reassessments when income crosses income-band thresholds.

For the 3 models, a 20% increase in UC customers has been factored in as those in receipt of legacy benefits are not expected to migrate to UC in full before 2024.

6.4 Maintain costs in line with the current scheme into 2021/22

Both Models 1 and 2 keep costs in line with the current scheme (£9.44 million).

Model 3 comes in under at £9.1 million.

6.5 To understand the impact on specific groups (age, gender and disability)

The report in the background papers gives full details of the impact on specific groups.

Female households are over-represented compared to male households.

Disabled households are under-represented in the worse-off group across models. This is because of the 5% uplift for disabled households.

Households aged 18-24 are under-represented where they have low earnings or are in receipt of out-of-work benefits.