

Appendix A1: Consultation options: Household and council impact assessment

Current scheme caseload

The CTR scheme currently supports almost 33,000 households with the cost of their council tax, of which almost 23,000 are working age. As support is for households who are on low income, the areas of the city with the highest numbers of households receiving CTR are also amongst the most deprived. These areas also have higher numbers of households receiving support from state benefits.

A full equalities impact assessment has been completed which illustrates those households that benefit from the current scheme and would be affected by any changes to it. Changes to the scheme would disproportionately affect households containing people with the following protected characteristics:

- Black, Asian, Minority Ethnic communities
- Disabled people
- Women
- Certain faith groups

Changes must have due regards to any impact on those with protected characteristics and vulnerable households. The council is also required to consider possible transitional protection if entitlement is reduced. Vulnerability is not defined but guidance suggests should local authorities consider the Equality Act 2010.

Proposed main scheme options

The options presented below show a range of savings against the forecast scheme cost in 2024/25. This would involve the withdrawal of support to working age households already on a low income. These are shown in the table below with the same trends and sensitivities as for the current (control) scheme.

The first four examples are for means tested schemes that replicate the allowances, premiums and treatment of capital and income that is used under Bristol's current CTR scheme. The only change is where there is an introduction of a minimum charge that is a percentage of net council tax liability that is taken off before any further assessment takes place.

Option 1: No change to the current scheme

	Static caseload (£m)	Current trend (£m)	2.5% increase	2.5% decrease
Current scheme cost	31.6	30.0	32.4	30.8
Gross saving	0	0	0	0
Gross saving (BCC)	0	0	0	0

This would mean 23,000 households would continue to get the same levels of support as they currently do, but other budgets/public services would be impacted, to find the agreed £3m saving elsewhere.

Option 2a). Standard means tested scheme – 10% minimum payment

	Static caseload (£m)	Current trend (£m)	2.5% increase	2.5% decrease
New scheme cost	28.1	26.7	28.8	27.4
As is scheme cost	31.6	30.0	32.4	30.8
Gross saving	3.5	3.3	3.6	3.4
Gross saving (BCC)	3.0	2.8	3.0	2.9
Net saving (BCC) 75%	2.2	2.1	2.3	2.2
Net saving (BCC) 65%	1.9	1.8	2.0	1.9

This would affect 22,628 households, paying an average of £154.83 in additional council tax per annum (£12.90 per month), with 119 households no longer entitled to CTR. A household currently receiving full CTR in a band B property would be expected to pay £191.51 per annum (£15.96 per month). Other budgets/public services would be impacted, to find the residue of the agreed £3m saving elsewhere.

Option 2b). Standard means tested scheme – 17% minimum payment

	Static caseload (£m)	Current trend (£m)	2.5% increase (£m)	2.5% decrease (£m)
New scheme cost	25.7	24.4	26.3	25.0
As is scheme cost	31.6	30.0	32.4	30.8
Gross saving	5.9	5.6	6.1	5.8
Gross saving (BCC)	5.0	4.8	5.2	4.9
Net saving (BCC) 75%	3.8	3.6	3.9	3.7
Net saving (BCC) 65%	3.2	3.1	3.4	3.2

This would affect 22,628 households, paying an average of £262.31 in additional council tax per annum (£12.90 per month), with 351 households no longer entitled to CTR. A household currently receiving full CTR in a band B property would be expected to pay £325.57 per annum (£27.13 per month)

Option 2c). Standard means tested scheme – 20% minimum payment

	Static caseload (£m)	Current trend (£m)	2.5% increase (£m)	2.5% decrease (£m)
New scheme cost	24.7	23.4	25.3	24.0
Control cost	31.6	30.0	32.4	30.8
Gross saving	6.9	6.6	7.1	6.8
Gross saving (BCC)	5.9	5.6	6.1	5.8
Net saving (BCC) 75%	4.4	4.2	4.6	4.3
Net saving (BCC) 65%	3.9	3.7	3.9	3.8

This would affect 22,628 households, paying an average of £307.98 in additional council tax per annum (£25.67 per month), with around 471 households no longer entitled to CTR. A household currently receiving full CTR in a band B property would be expected to pay £383.02 per annum (£31.92 per month).

Option 3: Banded schemes

Similar levels of savings can be achieved through the introduction of a banded scheme. These vary in complexity in the 70 existing examples in use across various authorities in England. The example below is based on the scheme in place in South Gloucestershire that uses income bands to determine a percentage discount.

Category	Income band (per week)	Percentage discount applied
1	Up to £120.00	80%
2	From £120.01 to £150.00	50%
3	From £150.01 to £200.00	30%
4	From £200.01 to £250.00	20%
5	From £250.01 to £300.00	10%
6	Over £300.00	0%

This model takes earned and unearned income into account but does not include incomes derived from benefits or tax credits (including Universal Credit).

	Static caseload (£m)	Current trend (£m)	2.5% increase (£m)	2.5% decrease (£m)
New scheme cost	25.2	23.9	25.8	24.5
As is scheme cost	31.6	30.0	32.4	30.8
Gross saving	6.4	6.1	6.6	6.3
Gross saving (BCC)	5.5	5.2	5.6	5.4
Net saving (BCC) 75%	4.1	3.9	4.2	4.0
Net saving (BCC) 65%	3.6	3.4	3.7	3.5

20,887 households would lose entitlement, paying an average of £334.88 in additional council tax per annum (£27.91 per month), with around 253 households no longer entitled to CTR. A household currently receiving full CTR in a band B property would be expected to pay £383.02 per annum (£31.92 per month).

1,690 households would gain entitlement when compared to the control scheme, with average gains of £281.65 per annum (£23.47 per month).

Increase in entitlement	Number of households
Under £5.00 per week	903
From £5.00 to £10.00	505
From £10.00 to £15.00	267
More than £15.00	15

1,541 of these households receive UC, with 1,049 responsible for one or more dependent children. 773 of these households fall within bands one and two of the income bands (net earned and/or unearned incomes of up to £150.00 per week). The difference in awards is the result of the work allowances that apply for households with children under UC, meaning that they have higher levels of UC income than those not entitled to the work allowance. This additional income is counted under the standard scheme but disregarded under the banded scheme.

Of the remaining 492 households who receive UC but do not have dependent children, 401 fall within bands one and two of the income bands (net earned and/or unearned incomes of up to £150.00 per week). This is accounted for in the main by households who are entitled to a work

allowance under UC because of having limited capability for work or because they do not get the housing costs element of UC (such as people who own their property).

Options appraisal

The following table summarised the advantages and disadvantages of standard means tested schemes and banded schemes when compared to each other.

Standard means tested scheme (with minimum charge)

Advantages	Disadvantages
<ul style="list-style-type: none"> • Applicants already familiar with means testing process • More straightforward to develop and implement • Does not create 'outliers' (disproportionate increases or decreases in entitlement) • Fairer and based more on need • Does not create cliff edges in entitlement for small income changes • Larger families and disabled people are not disproportionately affected • May result in fewer applications for discretionary support (Section 13A(1)(c) awards) • Supports those in higher council tax bands 	<ul style="list-style-type: none"> • Can result in more frequent rebilling for council tax if there are frequent changes in income (however, this can be addressed by introducing tolerances or review periods into the scheme after the initial means test) • Means test is more complex to communicate than a banded scheme

Banded scheme (with minimum charge)

Advantages	Disadvantages
<ul style="list-style-type: none"> • Reduces amount of rebilling for small changes in entitlement (no real processing saving) • Easier to communicate • Provides stability for applicants to pay a set amount each month 	<ul style="list-style-type: none"> • Higher cost involved in developing scheme (e.g. modelling) • Potential for perverse outcomes ('outliers') when comparing with means tested CTR entitlement • Creates cliff edges in entitlement when moving between income bands • Less fair as cannot account for the household's circumstances fully • Disabled people and households with dependants often disproportionately affected • Any administrative saving could be eroded by applications for discretionary support (Section 13A(1)(c) awards) • Disproportionately affects those in higher council tax bands

Additional features/options

These options are in addition to the large-scale scheme changes shown above.

a) Minimum payment of £3 per week

All households receiving less than £3 per week will no longer be entitled to CTR, resulting in their awards being reduced to zero. This means these households will receive a full council tax bill. The gross saving from this measure would be £42k per annum.

This would affect 503 households based on a 17% minimum payment scheme. The average annual loss per household would be £83.72 (£6.98 per month), plus the minimum payment levied as a percentage of net council tax liability.

b) Abolishing 2nd Adult Discounts

2nd Adult Discounts are paid in respect of low income second adults who live with an applicant who has an income that is otherwise too high to qualify for the main CTR scheme. It effectively acts as a replacement for a Single Adult Discount for the applicant. A percentage discount is applied according to the income of the second adult in bands from 25% to 5%. This provision could be removed from the working age CTR scheme with a gross saving of £58k per annum.

This would affect 200 households. The average annual loss per household would be £289.64 (£24.14 per month).

c) Reducing the capital limit to £6,000

The current CTR scheme has a capital limit of £16,000. This allows households to hold capital up to this value and retain entitlement to CTR (with a small weekly income included in respect of this capital for households who have between £6,000 and £16,000). This limit could be reduced to £6,000 (the point at which capital affected entitlement under the current scheme).

This would affect 171 households if applied to all working age households who are not receiving income replacement benefits (not including UC). The average annual loss would be £1,287.00 (£107.25 per month). A high proportion of these households are in receipt of a disability benefit, premium or band reduction.

d) Tolerances (standard means tested scheme only)

A tolerance that ignores small changes in income can be introduced to the standard means tested scheme. This would reduce the requirement to recalculate entitlement on a regular basis and rebill. This would reduce the administrative burden on revenues teams and provide some stability to applicants receiving CTR, as they will not pay a differing amount every time their income changes slightly. This is most applied to UC as this is where fluctuating income is a more common issue.

This measure replicates the main administrative advantage of introducing a banded scheme whilst retaining the advantage of a means tested assessment at the outset of a CTR award. The most common tolerance used in authorities that have introduced this is +/- £15.00 change in income per week (the equivalent of a £3 change in CTR entitlement). It is anticipated that this would reduce working age changes in circumstances by around 30%.

e) Discretionary Fund

All authorities must consider requests to reduce a council tax liability under section 13A(1)(c) of the Local Government Finance Act 1992 (as amended). There is a requirement to advertise this and outline the procedure for application within the CTR scheme under the prescribed requirements regulations.

As a separate fund could be set aside to make such awards as well as staff to administer this and could be used to target support to households who are unable to pay the additional charge, based on their household income and expenditure. This would come at an additional cost/reduce saving.

Protection (automatic)

Some households can be protected from a reduction in support under the scheme automatically by disapplying the minimum charge and basing the award on 100% of the net council tax liability. This can be based on receipt of certain benefits (such as disability benefits) or certain household characteristics (such as single parents who are not working and with a child under five years old).

However, if a fixed saving is sought from the scheme, any automatic protection of vulnerable groups would result in a higher minimum charge for any households who are not regarded as vulnerable under the scheme.

Households with a child under 5 and not in remunerative work (2,656 households)

	10%	17%	20%
Cost to protect household (£k)	410	633	810
Minimum charge unprotected	13%	19%	25%

Households defined as disabled, by receiving disability premium or war pension in their assessment (10,684 households)

	10%	17%	20%
Cost to protect household (£m)	1.7	2.5	3.3
Minimum charge unprotected	21%	32%	41%

For banded schemes, this approach would necessitate the addition of a separate banded scheme into which protected households are moved, based on a higher percentage discount.

Additional costs of collection and administration

In addition, a further estimate of increased costs of for collection and a discretionary scheme been provided. This could be in the region of £696k per annum scheme, staffing, transaction, and printing/post costs. This has not been included in the calculation above but could be partially recovered through a higher minimum percentage charge.