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# Three Rivers District Council

#  Council Tax Reduction Scheme

# Options Modelling Report

# October 2017

#  Introduction and background

1.1 This report follows on from the initial options report produced in May 2017. The options agreed for consultation have been remodelled and impact figures updated based on the current caseload information.

## Three Rivers District Council

**Options selected for consultation:**

* Introducing a ‘fixed assessment period’ within the current schemes to allow for multiple changes
* Current Schemes with changes to mirror HB from 2018/19
* Current Schemes with Work-Related changes –Minimum Income Floor
	1. Each of the options is examined in detail and details are provided. In each case the option is explained and where possible details provided as to:
* The effect on the overall scheme costs;
* The estimated number of applicants affected by each potential scheme change;
* The estimated effect on applicants in terms of changes in their Council Tax Reduction entitlement; and
* Where appropriate, additional comments on the implications of the proposed scheme changes on applicants and applicant types.

# 2.0 Key assumptions and notes relating to the modelling

2.1 The modelling has been undertaken based on the following assumptions:

1. The scheme changes relate to **Working Age cases only**.
2. Data have been obtained and represents the claimant base as at October 2017
3. Data have been obtained using system reports to interrogate the academy system and extract data;
4. Each option has been modelled individually
5. The modelling measures the change from the current Council Tax Reduction provision.
6. In the case of certain options, it is not possible to base the modelling on current data;

2.2 The current scheme for Three Rivers District Council is shown below:

* The scheme replicates the previous Council Tax Benefit scheme with the following amendments:
	+ A limitation on the amount payable based on the band of the property;
	+ Changes to capital levels;
	+ The removal of Second Adult Rebate; and
	+ Increases in Non-Dependant deductions

2.3 Section 3 of this report are shown the current scheme costs and applicant numbers and, in the remaining sections, for the selected options we have included the original options summary in each case as provided in the initial options report.

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# 3.0 Council Tax Reduction Three Rivers District Council

3.1 The following tables give the current position.

### Table 1 Cost of Scheme

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| **Authority** | **Actual cost of CTR scheme 2013/14** | **Actual cost of CTR scheme 2014/15** | **Actual cost of CTR scheme 2015/16** | **Actual cost of CTR scheme 2016/17** | **Estimated cost of CTR scheme 2017/18** | **Total Reduction in Scheme costs since introduction in 2013** | **%age reduction in costs** |
| Three Rivers | £4,759,855.54 | £4,516,131.76 | £4,388,862.28 | £4,369,412.01 | £4,526,513.61 | £233,341.93 | 4.9% |

### Table 2 Working Age Caseloads

| **Authority** | **CTR caseload 31 March 2014** | **CTR caseload 31March 2015** | **CTR caseload 31March 2016** | **CTR caseload 31 March 2017** | **Estimated CTR caseload 31March 2018** | **Reduction in case load since 2013** | **% age reduction in case load since 2013** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Three Rivers | 2768 | 2625 | 2540 | 2516 | 2484 | 284 | 10.2% |

### Table 3. Pension Age Caseloads

| **Authority** | **CTR caseload 31 March 2014** | **CTR caseload 31st March 2015** | **CTR caseload 31March 2016** | **CTR caseload 31 March 2017** | **Estimated CTR caseload 31March 2018** | **Reduction in case load since 2013** | **% age reduction in case load since 2013** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Three Rivers | 2177 | 2047 | 1940 | 1837 | 1800 | 377 | 17.3% |

### Table 4. Pension Age and Working Age Caseload

| **Authority** | **Working Age %** | **Pension Age %** |
| --- | --- | --- |
| Three Rivers | 58% | 42% |

# 4.0 Option Modelling – Three Rivers District Council.

| Introducing a ‘fixed assessment period’ within the current schemes to allow for multiple changes |
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| **Description** | The option would continue with the existing scheme but would look only to reassess entitlement after a fixed period. If adopted the following would need to be determined:* The length of the fixed period; and
* Whether all applicants will be affected or whether it will only apply to certain case types.
 |
| **Advantages** | **Financial** | If a decision is made not to change CTR entitlements for a fixed period even when they increase, then additional savings may be made. |
| **Administration** | The scheme will avoid multiple changes in CTR and reduce the number of changes per case. |
| **Disadvantages** | **Financial**  | Some applicants may take advantage of the scheme by anticipating when their case is to be reviewed and reduce overtime / income for that period (this was experienced when Family Credit introduced a fixed period assessment. |
| **Administration** | None  |
| **Effects on applicants / Claim groups** | There could be an effect on applicants who do not have changes. |
| **Future Proofing** | The scheme could allow for reductions in future administration costs. |
| **Software Implications** | This would be a manual process of reviews and could be undertaken within the current software provision. |

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| Modelling – Three Rivers Option 5 - Introducing a ‘fixed assessment period’ within the current schemes to allow for multiple changes |
| Number of changes received per annum (2016/17) | 10,062 |
| Average Number of changes per claim  | 4.05 |
| **Comments** |  |
| This change could reduce administration but all claims would be reviewed periodically. |

### Mirroring HB scheme from 2018/19

| Mirror HB from 2018/19 |
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| **Description** | All were consulted on and are as follows:* 1. Removal of the Family Premium;
	2. Reduction of the backdate period to 1 month;
	3. Freezing applicable amounts in line with Housing Benefit;
	4. Withdrawal of Council Tax Reduction where a person leaves the UK for 1 month or more;
	5. Limiting the number of dependants’ additions within Housing Benefit to a maximum of two for all cases where dependants are born on or after 6 April 2017;
	6. Removal of the Employment and Support Allowance Work-Related Activity Component from Housing Benefit applicants;
	7. Disregard of Post-Graduate Master’s Degree Loan and Special Support Loans; and
	8. The full disregard of Bereavement Payments from April 2017.
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| **Advantages** | **Financial** | A number of the changes are part of the welfare reforms and have been applied across Central Government benefits. |
| **Administration** | There will be no change to administration other than to implement the changes through the software systems.  |
| **Disadvantages** | **Financial**  | None |
| **Administration** | None |
| **Effects on applicants / Claim groups** | These changes are in line with Central Government policy and will affect certain applicant groups |
| **Future Proofing** | The changes will be in line with Welfare Reforms so any changes to CTR will ensure that the schemes remain aligned. However, the changes will not future proof the schemes from changes imposed by Universal Credit. |
| **Software Implications** | Software systems currently allow for all the changes stated. |

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| Removal of Family Premium  |
| Number of cases affected | 708 |
| Average reduction in CTR per week  | £3.19 |
| Annual Reduction in Scheme Costs | £85,506.79 |
| **Analysis of CTR Loss** |  |
| Number of cases who would lose CTR completely | 0 |
| Number of cases who would see no effect in CTR | 198 (28%) |
| Number of cases who would lose CTR under £1 per week | 29 (4%) |
| Number of cases who would lose CTR between £1 and under £2 per week | 19 (3%) |
| Number of cases who would lose CTR between £2 and under £3 per week | 21 (3%) |
| Number of cases who would lose CTR between £3 and under £4 per week | 441 (62%) |
| **Comments** |  |
| The following should be noted:* The changes **do not affect** any case where the applicant is in receipt of a **passported benefit** (Income Support, Job Seeker’s Allowance (Income-Based), Employment and Support Allowance (Income-Related)).
* New claimants would not receive a Family Premium (if the claim was to be received after 1 April 2018).
* Family Premium would **only be** removed from existing claims where there is a break in claim.
* The full reduction in scheme costs would only be achieved in the longer term, as claims end or new claims are received.
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| Reduction in the backdate period to 1 month from 1 April 2018 |
| Number of cases affected | Unknown |
| **Comments** |  |
|  The number of cases cannot readily be determined on the basis that the following variables apply:* That the applicant makes a claim for backdating; and
* That the reason given must meet the criteria for ‘Good Cause’
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| Freezing Applicable Amounts in line with Housing Benefit |
| Number of cases affected | All working age cases not in receipt of a passported benefit will have personal allowances and dependants’ additions frozen in line with Housing Benefit  |
| Cases in receipt of disability premiums, severe disability premiums or enhanced disability premiums – these premiums are increased annually in line with CPI. | 363 cases currently receive a disability-related premium |
| Annual Reduction / Increase in scheme costs | Cost neutral |
| **Comments** |  |
| The change would align both Housing Benefit and Council Tax Reduction.  |

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| Withdrawal of Council Tax Reduction where a person leaves the UK for 1 month or more |
| Number of cases affected | Unknown |
| **Comments** |  |
| Any applicants who are temporarily absent from their home will have their CTR cancelled if the absence is to be greater than 1 month and they have left the UK. In any other case the temporary absence rules remain at 13 weeks. It is not possible to model the number of cases affected by this change on the basis that it will depend on:* Applicants being absent from their dwelling;
* The absence being for a period greater than 1 month; and
* The applicant leaving the UK.
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| Limiting the number of dependants’ additions within Housing Benefit to a maximum of two for all cases where dependants are born on or after 6 April 2017 – FOR INFORMATION ONLY |
| Number of cases potentially affected | 178 |
| Average reduction in CTR per week  | £13.07 |
| Annual Reduction in Scheme Costs | £103,308.82 |
| **Analysis of CTR Loss** |  |
| Number of cases who would see no effect in CTR | 26 |
| Number of cases who would lose CTR under £5 per week | 18 |
| Number of cases who would lose CTR between £5 and under £10 per week | 34 |
| Number of cases who would lose CTR between £10 and under £15 per week | 40 |
| Number of cases who would lose CTR between £15 and under £20 per week | 41 |
| Number of cases who would lose CTR over £20 per week | 19 |
| **Comments** |  |
| The change only affects cases where:* A third or subsequent child is born **after**  6 April 2017; and
* There is no exemption granted by HMRC Tax Credits

The above modelling has been undertaken for information only. It represents cases who have more than 2 children currently and who **may** be subject to the default rule. The default rule, which reduces existing dependants’ additions to a maximum of two will only occur where:* There is a break in claim or a new claim: **or**
* Where the applicant has become or becomes responsible for another dependant; **and**
* The applicant fails to produce evidence from HMRC Tax Credits verifying the number of children for whom Child Tax Credits has been applied for.

Please note that this option is only likely to affect applicants who have a third or subsequent child on or after 6 April and in such cases CTR will not be increased. **It is most unlikely that existing applicants will lose CTR** under the default rule if they break their CTR and reclaim. The applicant just needs to provide evidence of Child Tax credits at that level to have the dependant additions reinstated. |

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| Removal of the Employment and Support Allowance Work-Related Activity Component from Housing Benefit applicants |
| Number of cases affected | Unknown |
| **Comments** |  |
| The change only affects new Employment and Support Allowance (ESA) cases that enter the Work-Related Activity Group on or after 3 April 2017. In such cases the DWP may not award the Work-Related Activity Component (WRAC). In which case, not equivalent component will be awarded with CTR. This will not affect any CTR in payment as their applicable amounts will reflect the level of their income.The current caseload contains 167 ESA claims made up as follows:* Work-Related Activity Component - 41 cases
* Support Component – 128 cases

Any Work-Related Activity Group cases that have already claimed will **not** be subject to the new rules.Likewise, there are no changes to the Support Group cases whatsoever. |

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| Disregard of Post-Graduate Master’s Degree Loan and Special Support Loans |
| Number of cases affected | Unknown |
| **Comments** |  |
| The changes only affect new students undertaking a Post-Graduate Master’s degree. Very few students are awarded CTR on the grounds that they receive an exemption / disregard from Council Tax.This will not change the current cost of the scheme as this is a new form of income which is now disregarded. |

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| The full disregard of Bereavement Payments from April 2017 |
| Number of cases affected | Unknown |
| **Comments** |  |
| The changes apply to any applicant receiving the new Bereavement Payments which came in to effect after April 2017.The scheme does not currently allow for these payments there will be no effect on the current scheme or any current applicant. |

| Introducing a Minimum Income Floor for the Self-Employed |
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| **Description** |  The concept is similar to that introduced within Universal Credit whereby any applicant commencing in self-employment would be allowed to declare zero income for an initial year from the date of start-up of the business. After that time, the scheme would assume that the income generated from the business would be at least the National Minimum/ Living Wage x 35 hours per week. Where an applicant declares an income greater than the Minimum Income Floor then that figure would be used in the calculation of CTR. If the income level declared is less than the MIF, the MIF would be used to replace the declared income. |
| **Advantages** | **Financial** | A key advantage would be that all self-employed applicants would be treated on a similar basis and, whilst the MIF will allow for a period of one year for set up and development, it would encourage applicants to at least meet a minimum level of income. There would be no incentive, not to develop the business or to undertake non-genuine or non-effective work.The level of savings established is considerable as a number of self-employed applicants currently declare a small or negative income from their self-employment despite in most cases being engaged in that business for a number of years. |
| **Administration** | There is a slight increase in administration in respect of self-employed cases albeit that there is a perceived increase in fairness. It is important that, where this option is adopted, we consider allowing a ‘start up ‘period for the business to allow it to become established and consider whether the MIF should be applied when there is any downturn in the economy or the business . |
| **Disadvantages** | **Financial**  | None |
| **Administration** | None |
| **Effects on applicants / Claim groups** | By definition, this will have a major effect on self-employed applicants who declare a relatively low income. |
| **Future Proofing** | The changes to the scheme will align the approach with the approach taken by Universal Credit. |
| **Software Implications** | None. Current systems will allow for the change. |

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| Introducing a Minimum Income Floor for the Self-Employed |
| Number of cases affected | 216 |
| Average reduction in CTR per week  | £15.13 |
| Annual Reduction in Scheme Costs | £61,589 |
| Number of cases who would **lose all CTR** with introduction of MIF | 149 (69%) |
| **Breakdown of CTR loss** |
| Number of cases who would see no effect in CTR | 6 (3%) |
| Number of cases who would lose CTR under £5 per week | 24 (11%) |
| Number of cases who would lose CTR between £5 and under £10 per week | 33 (15%) |
| Number of cases who would lose CTR between £10 and under £15 per week | 38 (18%) |
| Number of cases who would lose CTR between £15 and under £20 per week | 50 (23%) |
| Number of cases who would lose CTR over £20 per week | 65 (30%) |
| **Comments** |  |
| The calculation of the Minimum Income Floor is made where a self-employed applicant has been in business for more than one year **and** where the net income (after business expenses, tax and National Insurance) falls below an amount calculated by using 35 hours x National Minimum / Living Wage less notional Tax and Notional National Insurance.For clarity, the modelling assumes the following:* all self-employed applicants have been in business for at least one year: and
* their age means the National Living Wage would be used in the calculation of the Minimum Income Floor.
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# 7.0 Protection for the vulnerable

6.1 Support already exists within the scheme to protect the vulnerable.

6.2 Three Rivers District Council should consider providing a ‘safety net’ for those applicants who would face exceptional hardship.