

## **Appendix 4: Explanation of an income household banded scheme for Council Tax Support**

- A household income banded scheme (or grid system as it is also known) for Council Tax Support is based on the number of people in a household and the level of income received into the household.
- By cross referencing these two aspects on the grid, it concludes how much Council Tax Support that the household is entitled to be awarded, as a percentage of their Council Tax charge.
- Supporting safeguards are built into the Council Tax Support scheme to protect the most vulnerable customers. A number of incomes received such as disability and carers income would be disregarded within the income calculation. This would ensure that the most vulnerable households continue to receive the maximum level of assistance available.

Please see the **generic example** shown below to demonstrate how this would work:

	Single Person Weekly Income £	Couple Weekly Income £	Single parent – Weekly Income £	Single parent - Weekly Income £	Couple – Weekly Income £	Couple – two children or more Weekly Income £
70% discount awarded	0 – 100	0 - 125	0 - 210	0 – 340	0 - 210	0 – 340
60% discount awarded	100.01 to 130	125.01 to 155	210.01 to 245	340.01 to 380	210.01 to 245	340.01 to 380
40% discount awarded	130.01 to 160	155.01 to 195	245.01 to 290	380.01 to 410	245.01 to 290	380.01 to 410
20% discount awarded	160.01 to 200	195.01 to 225	290.01 to 330	410.01 to 450	290.01 to 330	410.01 to 450

### **Advantages of an income / household banded scheme**

#### **Advantages for the customer:**

1. The system is more robust to absorb fluctuations in household income. This is essential as more working age households migrate onto receiving Universal Credit.
2. It reduces the number of changes that need to be made to an award of Council Tax Support. If the level of household income received remains within the same income band, the award of Council Tax Support remains unchanged.
3. When a Council Tax Support award is unchanged, it is not necessary for the Council to continually issue revised award letters for Council Tax Support, which many customers find confusing.
4. Most importantly, when an award of Council Tax Support is unchanged, it is not necessary to issue multiple revised Council Tax bills throughout the year.

5. The household receive their Council Tax bill, providing them with a consistent instalment payment plan for the year ahead. This allows customers to budget accordingly without fear of their bill being amended and a new recalculated instalment schedule. A revised Council Tax bill will only be issued if the household has a substantial changes in income received that moves them into a new income band and a different percentage discount award.
6. This format simplifies the current technical and complex assessment process for Council Tax Support and is much easier for households to understand. Details of the income banded grid and a list of disregarded incomes would be openly publicised, providing a transparent formula where residents can easily calculate for themselves how much Council Tax Support they will be entitled be.
7. Through this improved transparency, households will have an advance awareness of how much their revised award of Council Tax Support would be if their level of income substantially changed and moved them into a new income band.

#### **Disadvantages for the customer:**

1. It is appreciated that a banded system will introduce 'cliff edges' as income levels change to an extent where it places the household into a different band. Within the modelling we will try to minimise the potential for this as much as possible within the setting of the income bands. However, this disadvantage is counter balanced by the increased flexibility that a banded system offers by allowing and incentivizing households to increase their income within their current band without reducing their percentage award.
2. For households that are negatively impacted by the banded scheme, we will identify and approach households who have been affected and mitigate these changes through the Hardship Scheme which has an annual budget of £80k

#### **Advantages for the Council**

1. Reduced financial costs for printing and postage, eliminating the need to issue frequently revised Council Tax Support award notification letters and multiple revised Council Tax bills throughout the year. Each letter costs approx. £1 to issue.
2. Consistent Council Tax instalment payment schedules for customers which they can financially budget for, will importantly, help to protect the collection rates of Council Tax payments, which is essential income needed to support the financing of key services.
3. It will maintain consistency with all other Devon local authorities also scheduled to introduce Council Tax Support banded schemes from April 2020
4. It is a cost neutral scheme, not requiring any further financial commitment from the Council to support changing to a banded system.
5. Reduced level of customer contact from customers seeking explanations of why they have received further revised Council Tax Support award notifications and recalculated Council Tax bills.

6. By making this change, an income / household banded scheme would be more cost effective and sustainable to administer, in order to absorb the increasing number of monthly changes in Universal Credit awards.

### **Disadvantages for the Council**

1. Potential administration increase in processing Hardship Scheme applications for households negatively impacted by the change.

### **The importance of precise modelling of income bands to protect households**

- The income bands that are applied within the grid system are devised by reviewing the incomes of the working age households currently in receipt of Council Tax Support within Torbay.
- Precise modelling is then applied to apply the results of the above to devise the new income bands. This will match households so that they receive an award within the new banded scheme that is as close as possible to the award they are currently receiving.
- Within the new banded scheme, the current maximum Council Tax Support award of 70% would be retained. Households currently receiving the maximum Council Tax award of 70% would continue to receive this award of 70% within the new banded scheme. This equates to 83.25% of the 7,566 working age households currently receiving Council Tax Support.
- The three other percentage awards of Council Tax Support below the maximum 70% award would be calculated by using precise system modelling by analysing the household incomes of the remaining 16.75% where they are not currently entitled to the maximum award of 70%.

### **Conclusion**

The current Council Tax Support scheme is based on an outdated benefit approach which alters entitlement on a weekly basis and is subject to any change in income.

A new scheme framework will be designed to reflect a more modern approach that reflects changing trends and the needs of customers.

The continued migration of working age customers onto Universal Credit will mean that more and more residents of Torbay will be impacted by this change. As well as absorbing all the challenges that Universal Credit itself presents, we have a duty to support them by simplifying the assessment of their Council Tax Support, enabling them to consistently pay without fear of falling into arrears and debt.

It is important that we remain consistent with the advancements being made by all other Devon Councils who are committed to a banded scheme from April 2020 and not be left behind.