

Council Tax Reduction Group
Options for Council Tax Reduction - Implications due to the introduction of Full-Service Universal Credit

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1.0 Introduction and background

- 1.1 Following discussions with the Council Tax Reduction Group, the following paper has been designed to examine the issues which are occurring within Council Tax Reduction (CTR) with the implementation of Full-Service Universal Credit (UC).
- 1.2 This briefing paper provides the following information as agreed:
 - a. Commentary on each of the issues experienced by authorities within Full-Service areas including potential options to change to the CTR schemes adopted by all of the CTR Group;
 - b. Description of each issue / option including any advantages and disadvantages;
 - c. Whether the option chosen would require consultation; and
 - d. Indications of the changes needed to the current Council Tax Reduction scheme documentation (if any) that would be required.
- 1.3 For clarity, the main issues fall in the following areas:
 - a. The reluctance of Universal Credit applicants to make a prompt claim for Council Tax Reduction;
 - b. The number of changes to Universal Credit cases received through the data hub requiring a change to Council Tax Reduction entitlement;
 - c. The changes in Council Tax Reduction resulting in changes to Council Tax liability, the re-calculation of instalments, delays and the demonstrable loss in collection; and
 - d. The increased costs of administration through multiple changes such as staff time, increase in documentation and postage etc.
- 1.4 The options shown address one or more of the issues identified in paragraph 1.3. and are broadly divided into three groups namely:
 - a. Changes that are required to schemes both in the short or long term;
 - b. 'Short term changes' which would potentially assist the authorities within the group as an 'interim fix'; and
 - c. 'Long term changes' which provide authorities within the group with long term solutions to the problems.
- 1.5 It is acknowledged that the long-term proposals are more radical in nature. The advantages, however are significant and would provide both a long-term solution and potentially prevent significant increases in administration costs which will be inevitable if the current means-tested schemes remain in place.

2.0 Council Tax Reduction in context with current welfare reforms and the roll out of Universal Credit

- 2.1 The concept of Council Tax Reduction was introduced by Central Government as part of a package of welfare reforms, which included major changes to existing means tested benefits such as Council Tax Benefit (CTB), Housing Benefit (HB), Income Support (IS), Employment and Support Allowance Income Related (ESAIR), Job Seekers Allowance Income Based (JSAIB) and Tax Credits. Significant changes have also been made to other, non-mean tested benefits including Disability Living Allowance (DLA) and the introduction of Personal Independence Payments (PIP) and Armed Forces Independence Payments (AFIP).
- 2.2 The major flagship change was the introduction of Universal Credit (UC) and the original proposal was that HB, IS, ESAIR, JSAIB, Tax Credits and CTB would be absorbed within the single benefit all administered by the Department for Work and Pensions (DWP). The introduction of Universal Credit was initially meant to have been completed over a three-year period with the main means tested benefits being phased out from 1st October 2013 and with full transition to Universal Credit by the beginning of 2017.
- 2.3 It should be noted that Universal Credit **only** relates to Working Age applicants. The intention with regards to Pension Age applicants was that means tested Housing Benefit should be administered by the DWP Pension Service alongside Pension Credits. This 'Pension Credit Plus' Project was due to launch in 2013, it has now virtually been abandoned and the latest information received from Central Government (October Budget 2018) states that it is the Government's intention is to start this in 2027!
- 2.4 Since the original concept was launched, a number of significant changes have occurred which have fundamentally changed the likely outcomes of the reforms namely:
- a. Council Tax Benefit was withdrawn from Universal Credit and Council Tax Reduction (CTR) was created. CTR is in effect, not a benefit but a Council Tax discount administered solely by Billing Authorities. For accounting purposes, it is treated as a reduction in the tax base in the same way as other Council Tax discounts and exemptions. Any amounts paid are borne by the collection fund;
 - b. Whilst the responsibility for CTR passed to Billing Authorities to administer, Central Government has decided to retain control over the way that CTR for Pension Age applicants should be calculated. The Pension Age scheme is a statutory scheme, determined under the Council Tax Reduction Scheme Prescribed Requirements (England) Regulations. This is a means tested scheme and almost exactly replicates the previous Council Tax Benefit scheme, notwithstanding the fact that it is now called a reduction rather than a benefit;
 - c. It has been decided that CTR will remain permanently with local authorities; and
 - d. The roll out of Universal Credit (UC) has been significantly delayed. The DWP have experienced considerable difficulties in rolling out Universal Credit to replace the main means tested benefits and only recently have authorities gone live with 'Full Service' UC. Where it has been introduced, the work of local authorities has increase primarily due to the significant number of changes received from UC changes which affect the calculation of CTR. All authorities within the UK will be in a Full-Service area by the end of the year.

The increase in work experienced by local authorities who, are in a 'Full-Service' UC area and still maintain a 'traditional' means tested CTR scheme, is significant and it should be borne in mind that the costs of administration are solely borne by Billing authorities.

- 2.5 The CTR scheme operated by the authorities within the group largely replicate the original Council Tax Benefit scheme, with some changes that were implemented throughout the subsequent years. In our opinion, the current schemes will **not operate successfully** with the continued roll out of Universal Credit and, if not changed, will inevitably lead to significant increases in administration costs and reductions in collection.

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3.0 Analysis of Issues

Changes required to any scheme (short term and long term) - The reluctance of Universal Credit (UC) applicants to make a prompt claim for Council Tax Reduction (CTR)

- 3.1 Universal Credit applicants are often slow or even reluctant to claim Council Tax Reduction. We have undertaken extensive analysis and there is confusion in that they do not appear to understand, that a separate claim is actually required. Poor information provided by the Department for Work and Pensions (DWP) is also often blamed albeit that when making the initial claim for Universal Credit, the applicant is directed to claim Council Tax Reduction if they are liable to pay Council Tax.
- 3.2 Our analysis reveals that applicants are confused with the need to make ‘another claim’ especially when Universal Credit is promoted as a single ‘all encompassing’ benefit. In addition, due to significant issues with the receipt of any Universal Credit entitlement, the focus of the applicant is to obtain monies generally to pay for rent and general living costs rather than Council Tax. Work with full service sites has clearly demonstrated that, even with recovery action being taken against the applicant for unpaid Council Tax, there is great confusion as to why they have any outstanding Council Tax
- 3.3 The effect of this is that either, no claim is made (resulting in a higher Council Tax liability or non-payment), or a delay in claiming, again resulting in a higher than necessary Council Tax liability.

A. Universal Credit cases - accepting DWP information (data hub) as an intention to claim for Council Tax Reduction

Commentary	This option would allow any Council to accept any information received from the Secretary of State for DWP as an intention to claim, for Council Tax Reduction. The DWP work coach indicates to the applicant that they should claim Council Tax Reduction (albeit that this will vary on a case by case / area by area basis)
Consultation Required?	No - the current schemes allow for anything to be treated as an intention to claim or to accept information from DWP.
Changes to documentation	None required. We are happy however to provide details as to how this can be justified using the current scheme design.
Advantages - Financial	This approach will reduce the problems on the non-claiming of CTR to some degree, and potentially reduce non-collection issues and write offs.
Advantages - Administration	Protection of vulnerable applicants especially where any delays are experienced in claiming Council Tax Reduction.

	Reduction in unnecessary recovery action where applicants fail to claim on time.
Disadvantages - Financial	There may be a potential increase in scheme costs although from experience this is likely to be small and offset by the ease in administration.
Disadvantages - Administration	The option only provides an 'intention to claim'. There is still a reliance on the applicant providing any addition forms or evidence to the authority.
Effect on applicants / Claim groups	This approach would benefit all applicants on Universal Credit
Future Proofing	This approach can be undertaken immediately and will provide an efficient mechanism for claiming in all future schemes
Software Implications	There are no software implications

B. Universal Credit cases - accepting DWP information (data hub) as a claim for Council Tax Reduction

Commentary	<p>This option would allow any Council to accept any information received from the Secretary of State for DWP as a claim, for Council Tax Reduction.</p> <p>The current schemes allow for claims to be received in writing which includes emails or electronic format and in effect, this particular option could be undertaken immediately without changing the scheme itself.</p> <p>The main advantage is that Council Tax Reduction could be processed automatically once information is received from the data hub and will maximise entitlement. It will also assist in the recovery of Council Tax and reduce administration.</p> <p>It could be argued that there may be an increase in scheme costs where a claim is automatically processed.</p>
Consultation Required?	No
Changes to documentation	The current documentation allows for this option. However, we would suggest that further wording is added to ensure clarity.
Advantages - Financial	<p>Protection of vulnerable applicants especially where any delays are experienced in claiming Council Tax Reduction.</p> <p>Reduction in unnecessary recovery action where applicants fail to claim on time.</p>
Advantages - Administration	<p>By accepting DWP data hub information as a claim the authority will maximise any potential entitlement to Council Tax Reduction.</p> <p>If, alongside this option, there is a reduction in the requirement to produce evidence, administration will be reduced.</p>
Disadvantages - Financial	There may be a potential increase in scheme costs although from experience this is likely to be small and offset by the ease in administration.

Disadvantages - Administration	With the 'automatic' granting of entitlement, there is a potential for slightly increases in scheme costs. However, it should be noted that any saving under the current scheme would be down to the failure to claim Council Tax Reduction.
Effect on applicants / Claim groups	This approach would benefit all applicants on Universal Credit
Future Proofing	This approach can be undertaken immediately and will provide an efficient mechanism for claiming in all future schemes
Software Implications	There are no software implications

Recommendation

- 3.4 Given that it is essential to maximise Council Tax Reduction, especially for the most vulnerable applicants, we would strongly recommend that all authorities with the Group adopt Option B

4.0 Potential Short-Term solutions

- 4.1 The following options look at dealing with the problems associated with the introduction of Full-Service Universal Credit using the existing Council Tax Reduction scheme or by making relatively minor changes to the current scheme. **The amendments, if accepted, must be considered as a short-term ‘fix’ only and in no way, replace the need for a longer-term solution.** Their main aim is to reduce administration of Council Tax Reduction claims whilst at the same time assisting the administration of Council Tax generally.

Dealing with multiple changes to CTR cases through changes in Universal Credit

- 4.2 From information obtained from the Full-Service Universal Credit sites, large volumes of changes in Universal Credit are received on a daily basis via the data hub. The amount of changes vary considerably from authority to authority. From information received as of August 2018, the number of changes received ranges from **12 changes per annum per case to 34 changes per annum per case**. Clearly not all changes are correct or must be actioned although, in all cases, work must be undertaken to establish whether action should be taken to align Council Tax Reduction with the Universal Credit change.
- 4.3 The sheer volume of changes in effect means that approximately 40% of all Universal Credit cases require amendment to the Council Tax Reduction scheme and receive between eight and twelve Council Tax bills per annum. This is leading to confusion, an increase in administration costs and a reduction in collection. In sites where Full-Service Universal Credit has been in place for some time, collection rates are starting to be detrimentally affected, in some cases by as much as 1%.
- 4.4 Plans are in place that will allow for the full automation of data hub information into the Council Tax Reduction software (planned October 2018). Notwithstanding this, the quality of the data from DWP is still not at a high level. The DWP has promised authorities that they will look to improve data quality over the coming months.
- 4.5 As an ‘interim fix’, the following ‘short term’ options have been taken or are being considered by authorities to reduce the impact of these changes.

A. Universal Credit cases - applying a fixed income period to avoid multiple changes

<p>Commentary</p>	<p>This option will allow authorities to set ‘assessment periods’ during which any changes in universal credit entitlement will not be actioned. The authority will need to decide what changes or exceptions (if any) would trigger a change (often called trigger points) and also the period for which this would last.</p> <p>Traditionally ,fixed periods of this sort have been 6 months (previously used within Family Credit). Decisions will also need to be made as to whether this will apply just to Universal Credit cases or to the caseload</p>
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	<p>generally and whether the new period should be based on the actual Universal Credit at the time or the review of an average over the previous months.</p> <p>The main issues to be considered with this approach are:</p> <ol style="list-style-type: none"> a. the length of any fixed period; b. whether the fixed period should apply to both Universal Credit only or all case types; c. The information / incomes to be used at the commencement of the fixed period; d. Key 'trigger points' i.e. whether any specific changes would 'trigger' a re-assessment. This would normally be where the applicant would experience a significant change in circumstance - normally this would apply where the applicant would be entitled to an increase in Council Tax Reduction; e. The costs of the scheme - there is potentially a cost to the scheme where applicants' entitlement is 'held' at a higher level that would normally be expected; and f. The fixed period approach cannot be made to the pension age CTR scheme which is prescribed by Central Government.
Consultation Required?	Yes - this is outside of the current working age schemes.
Changes to documentation	We would need to agree with each authority the exact wording in the working age scheme to ensure that it achieves the required outcomes. We assume that this would not be a blanket policy and that there would need to be certain 'triggers' that would allow for further assessment prior to the end of the existing assessment period.
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.
Advantages - Administration	The scheme will avoid multiple changes in CTR and reduce the number of changes per case.
Disadvantages - Financial	<p>If a decision is made not to change CTR entitlements for a fixed period, even when they reduce, then additional costs may be incurred.</p> <p>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).</p>
Disadvantages - Administration	The administration of fixed periods can be complex in some cases depending on the actual approach adopted.

Effects on applicants / Claim groups	There will potentially be an effect on applicants where a fixed period is introduced which does not change CTR entitlement where the applicant has a reduced income.
Future Proofing	The scheme would allow for reductions in administration costs especially in the areas of Council Tax billing and collection.
Software Implications	This would be a manual process of reviews and could be undertaken within the current software provision.

B. Universal Credit cases - applying a tolerance to avoid multiple changes

Commentary	<p>The option would continue with the existing scheme operated by the authorities but changes which would increase or decrease entitlement below an agreed level (the ‘tolerance’) would not be effected. In order to bring this change into the scheme, authorities would need to decide the following:</p> <ol style="list-style-type: none"> What level of change (£) would not be actioned; Whether the tolerance would apply to both increases in entitlement and decreases in entitlement equally; Whether changes should be ‘accumulated’ and then actioned when all changes ‘add up’ to more than the tolerance level; The overall scheme costs. As with all cases where changes in circumstances are not undertaken (whether positive or negative) could affect scheme costs; Whether the tolerance should apply to all applicants irrespective of the income / benefits they receive (e.g. ‘passport benefit’); Whether the changes would affect changes to non-dependants etc.; and The tolerance approach cannot be made to the pension age CTR scheme which is prescribed by Central Government.
Consultation Required?	Yes - the current schemes do not take account of any tolerances.
Changes to documentation	We would need to agree with each authority the exact wording in the working age scheme to ensure that it achieves the required outcomes. We assume that this would not be a blanket policy and that there would need to be certain ‘triggers’ that would allow for further assessment despite the tolerance level being set.
Advantages - Financial	It will be difficult to anticipate the financial effect until decisions are made as listed above however if a decision is made not to change CTR entitlements even when they increase, then additional savings may be made.
Advantages - Administration	The scheme will avoid multiple changes in CTR

Disadvantages - Financial	It will be difficult to anticipate the financial effect until decisions are made as listed above however, if a decision is made not to change CTR entitlements even when they reduce, then additional costs may be incurred.
Disadvantages - Administration	It should be noted that changes will still need to be actioned (to determine the level of the change) notwithstanding the fact that the number of actual changes to CTR will be reduced.
Effects on applicants / Claim groups	There will potentially be an effect on applicants where a tolerance is introduced which does not change CTR entitlement where the applicant has a reduced income.
Future Proofing	The scheme would allow for reductions in administration especially in the areas of Council Tax billing and collection.
Software Implications	Current software providers are looking to provide this facility.

C. Universal Credit cases - not applying any changes received from the DWP

Commentary	<p>The option would continue with the existing scheme operated by the authorities but changes in Universal Credit notified by the DWP would not be actioned automatically. Changes would only be actioned if reported by the applicant.</p> <p>The result of this approach would be to significantly reduce the number of changes undertaken but it would place the onus on the applicant to notify the authority of changes (this is already a duty imposed under the existing schemes). This is a 'different' approach than that taken in the current scheme and each authority would need to decide the following:</p> <ol style="list-style-type: none"> a. How it would deal with changes notified by the applicant that are beneficial in nature (this is particularly relevant with effective dates); b. How it would deal with changes notified by the applicant that are non- beneficial in nature (this is particularly relevant with effective dates);and c. Whether non-reported changes should be subject to a penalty or any fraud action, which may be difficult given that the authority <i>may</i> have information previously supplied to them by the DWP.
Consultation Required?	Yes - the current scheme states that the authority <i>shall</i> action all information received from the DWP.
Changes to documentation	This is a simple change in the document. Replacing the word 'shall' with 'may'.

Advantages - Administration	The scheme will avoid multiple changes in CTR
Disadvantages - Financial	It will be difficult to anticipate the financial effect until decisions are made as listed above however, if a decision is made not to change CTR entitlements even when they reduce, then additional costs may be incurred.
Disadvantages - Administration	This may result in an increase in applicant contact with the authority and potential difficulty in recovering council tax where the authority was aware of a change but did not action it.
Effects on applicants / Claim groups	Applicants failing to report changes could face penalties and /or recovery action for incorrect CTR
Future Proofing	The scheme would allow for reductions in administration especially in the areas of Council Tax billing and collection.
Software Implications	None

D. Maintaining the current scheme and changes required to bring the current scheme into line with both Housing Benefit and / or Universal Credit

Commentary	<p>This option suggests that the approach would be to maintain and align the current schemes for working age with changes that have occurred within Housing Benefit and Universal Credit since the implementation of Council Tax Reduction.</p> <p>All authorities within the group have done this to a greater or lesser degree but the approach is onerous and often requires small but very complex areas of benefit change to be consulted upon.</p> <p>No current scheme is fully aligned with all HB / UC changes</p>
Consultation Required?	Yes - full consultation on each change would be required.
Changes to documentation	The current schemes would need to be changed to deal with the changes listed.
Financial Advantages	The schemes continue to deliver costs savings and a number of the changes reduce the overall costs of the schemes
Administration Advantages	Staff are used to administering the scheme and it is well tried and tested.

	The schemes are almost identical to that for Pension Age and Housing Benefit (notwithstanding the fact that the scheme is slightly less generous than the original CTB).
Financial Disadvantages	Administration costs are high due to the fact that the schemes are administered in line with Housing Benefit (albeit that part of the administration costs are offset in the cases of applicants making joint claims for Housing Benefit and Council Tax Reduction).
Administration Disadvantages	The schemes are complex in nature
Effects on applicants / Claim groups	The schemes have a proven track record in being designed to cater for applicant's individual needs and circumstances. Being originally designed by DWP, the scheme design has been tested through the Courts
Future Proofing	The schemes need constant amendment to keep in line with changes to Housing Benefit. The current schemes are currently 'out of line' with Housing Benefit. The schemes are too reactive and will not be viable in the longer term
Software Implications	None. The current software can process all claims etc.

Recommendation

- 4.6 Whilst the 'short term fixes' do allow for some administration savings and would also negate, to some degree, the effects of the roll out of Full-Service Universal Credit, they must be considered as short term only. We would strongly recommend that authorities consider a long-term solution to address all of the key issues and to prevent having to revisit schemes in the future.

5.0 Long Term Solutions

5.1 The following options would provide the authorities within the Group with a long-term solution to the issues identified earlier in this report. Many authorities are choosing to adopt schemes which will be simple to administer; avoid multiple changes to Council Tax liability through the year; and be future proofed to enable minimal future changes. In addition, any new option should allow certainty in cost expenditure.

A. Introducing an income based discount (banded) scheme - simple income band or income 'grid'.

Commentary	
	<p>The basis of this scheme is, for Working Age cases, to calculate the total income of the applicant and partner and to apply their income against a banded discount scheme. A small number of authorities have currently introduced this although the number will grow significantly from 2019 and 2020. The approach is straightforward as far as calculation is concerned, however decisions must be made as follows:</p> <ol style="list-style-type: none"> a. Whether all (any) working age cases should pay a minimum amount <ul style="list-style-type: none"> • A decision will need to be made as to the level of funding available and whether any or all working age cases should pay a minimum amount. The most common approach is that all applicants are required to make a minimum payment although we would strongly encourage authorities to consider allowing the 'poorest' applicants 100% support, notwithstanding that this may be at the detriment of applicants who have a higher level of income. It is recognised that this is more of a 'political decision' although it would allow for administrative savings in collection and recovery. b. How many bands of discount should be included and what level of discount should be paid <ul style="list-style-type: none"> • The number of bands will be important as this will not only affect the administration but also the way that incomes are treated; • As this is a banded scheme, there are potentials for differences between the bands where a small increase in income can affect the awarding of the support. Over the last few years we have seen the number of bands reduce to aid simplification. We would strongly recommend that a small number of bands are used, wide enough to 'absorb' changes in income without the need to issue multiple Council Tax demands. c. Whether bands (income levels) should be different depending on the size of the household <ul style="list-style-type: none"> • If a simple banding system is used with discounts just being based on income received, then no account will be made of the size of the family. The alternative is to consider the use of banded 'grid' system whereby discounts are decided not only on income but also by size of family (up to 'say one partner and a maximum of two dependants'). (A common approach is to have four levels: Single, Couples Single / Couple & 1 Dependant and Single / Couple & 2 dependants)

d. Whether any income should be disregarded

- Consideration will need to be given as to whether any incomes received should be disregarded (such as Child Benefit, Child Maintenance, DLA, PIP, Carers Allowance, Support Component of ESA etc.) Also, decisions have to be made as to whether part of earned income should be disregarded to incentivise work or to allow for child care. Care will need to be taken in this area to ensure that there is not a significant loss for the most vulnerable cases. Should the group approve this approach, we will go through all relevant issues and provide options for each applicant group.

e. Whether income should be calculated Gross or Net

- Decisions would need to be made as to whether any income received should be treated gross or net. Logically the use of net income, which has traditionally been used in calculating benefits, would be retained;

f. How applicants in receipt of DWP benefits such as Universal Credit, Income Support, Jobseekers allowance (Income Based) and Employment and Support Allowance (Income Related) should be treated in the scheme

- Traditionally applicants in receipt of Income Support, Jobseekers allowance (Income Based) and Employment and Support Allowance (Income Related) 'passport benefits' receive maximum benefit / reduction. The Council will need to consider whether this should continue. It should be noted that these are to be replaced by Universal Credit in the medium term;
- Applicants currently in receipt of Universal Credit have their income calculated by means of the approach developed by Central Government, a decision will need to be made how this will be undertaken in any new scheme.

g. Whether there should be a capital cut off limit

- Consideration will need to be made to determine whether there should be a capital cut off and what level that should be. Commonly a £6,000 capital cut off limit is used which significantly reduces administration. If the applicant has over £6,000, then no reduction will be granted and if they have less than £6,000, then any amounts held will be disregarded.

h. Whether deductions should be made for non-dependants

- Consideration will need to be made as to whether non-dependant deductions should be made. Ideally not having to consider non-dependants will simplify administration, reduce changes but may have an adverse effect on the overall scheme costs.

i. Whether certain cases (vulnerable) should fall into different bands

- Authorities will need to consider how they will deal with cases that are considered vulnerable and whether they should be treated differently than other applicants. Our preferred option is for any person considered to be vulnerable may apply for an 'Exceptional Hardship Payment' from an Exceptional

	Hardship Scheme which is 'embedded' in the CTR scheme and paid under S13A 1 A of the Local Government Finance Act 1992 rather than S13A 1 C.	
Advantages	Financial	Initial indications are that the schemes are fair in that they look at the total income of all applicants and treat applicants the same whether they are on state benefits or not. The schemes can generate savings subject to the variables listed above.
	Administration	Simple to understand and depending on the level of bands, the schemes will negate a large number of the multiple changes that occur in Universal Credit.
Disadvantages	Financial	There may be some additional software costs. All suppliers are now able to provide a scheme of this nature.
	Administration	There would need to be careful consideration as to how the administration of this scheme will work together with the administration of Housing Benefit. It will be essential to minimise the effect of administering two distinctly different schemes. We would strongly recommend that the approach to administration is simplified and brought into line with other Council Tax discounts rather than operate the schemes as a 'benefit'. Options to change the administration approach will be subject to a separate report.
Effects on applicants / Claim groups	There will undoubtedly be an effect on all applicant groups. Depending on the decisions made as listed above, applicants in certain groups such as families, disabled etc. may find they receive a different level of support. This would need to be mitigated through its design.	
Future Proofing	The approach takes into account the move to Universal Credit and can be varied year on year depending on the level of support determines by the Council.	
Software Implications	All software providers have been mindful of changes in approach and have made moves to offer systems that will allow for a simple discounted or grid scheme.	

B. Introducing a discounted scheme specifically for Universal Credit cases (leaving other applicants to be dealt with under the existing schemes)

Commentary	This approach is a hybrid of the existing means tested scheme operated by each Council and an income based banded scheme for all applicants that receive Universal Credit. A small number of authorities have adopted this approach.	
Advantages	Financial	None
	Administration	Simplicity for some applicants.

		The approach minimises the effect of Universal Credit multiple changes on administration. The basic assessment of income and needs remains as at present for other applicants
Disadvantages	Financial	There would potentially be additional software costs.
	Administration	A more complex approach to the problem of Universal Credit cases. Software limitations often require a manual workaround.
Effects on applicants / Claim groups	Generally, the scheme protects particular claim groups only.	
Future Proofing	As more working age cases move towards Universal Credit, more cases will fall under the banded scheme. There will however always be a requirement to maintain two working age schemes as not all applicants will move to Universal Credit.	
Software Implications	The current software systems can be amended to reflect the new approach although it is largely a manual workaround and that it requires in effect two schemes.	

Recommendation

5.2 From our experience, Option A of the long-term fixes is strongly recommended for the following reasons:

- a. The change would prevent significant increases in administration costs due to multiple changes in Universal Credit;
- b. Schemes of this nature can assist in maintaining collection levels by maximising entitlement for applicants and reducing changes in liability;
- c. Schemes are simple, 'customer friendly' and easy to understand; and
- d. Schemes of this type can provide authorities with certainty of expenditure in both the medium and long term

5.3 It should be noted that whilst a common scheme framework could be adopted across authorities within the group, band / grid levels may vary due to demographics.