

## How does an Income Banded Discount Council Tax Support (CTS) scheme work?

Calculating how much CTS a claimant receives is simplified with the introduction of an income banded discount scheme.

The scheme operates by offering a reduction in Council Tax liability based on the income level of the applicant and household size.

The scheme considers the total income of the applicant (household) to determine the level of Council Tax reduction applied. This assessment takes into account various sources of income, including employment, self-employment, benefits, pensions, and other financial resources.

Allowances are provided based on household size for single and couple applicants with additional allowances for up to 2 dependant children.

The scheme divides eligible households into income bands or tiers. Each band corresponds to a specific level of Council Tax reduction (%). The lower the income, the higher the % reduction provided.

Once the income band is determined, the scheme applies a predefined reduction percentage calculate the Council Tax reduction. For example, households in the lowest income band will receive a full or near-full exemption from paying Council Tax, while those in higher income bands will receive a smaller percentage reduction.

There is no complex means testing calculation applied.

Income can increase within an income band and have no effect on the level of support, therefore, greatly limiting the possibility of award adjustments and monthly revised Council Tax bills. A claimant's Council Tax bill will only be revised when they move into the next income band as the CTS award is adjusted.

### Model 1: Summary

The CTS scheme for 2023/24 proposes the following income bands and discounts:

Income Thresholds (Bands) £						
Band	Discount	Disability discount (5% uplift)	Single	Couple	1 child addition	2+ children addition
1	85%	90%	0-80	0-160	130	230
2	75%	80%	80-125	160-190	130	230
3	65%	70%	125-165	190-230	130	230
4	55%	60%	165-205	230-265	130	230

<b>5</b>	<b>35%</b>	<b>40%</b>	<b>205-250</b>	<b>265-290</b>	<b>130</b>	<b>230</b>
<b>6</b>	<b>25%</b>	<b>30%</b>	<b>250-325</b>	<b>290-365</b>	<b>130</b>	<b>230</b>

### **Household income:**

This scheme takes into account all household income such as:

- All Benefits
- Child Benefit
- Earnings
- Other income's such as student finance
- Pensions
- Child maintenance

Some incomes are disregarded from this overall household income and are not counted:

- Housing Benefit
- The Housing Costs element of UC
- Personal Independence Payments (PIP) & Disability Living Allowance (DLA)

### **Household size:**

Income band thresholds are varied based on household type and size.

An additional allowance is granted for a maximum of 2 dependant children.

This combination of household size and household income is combined to place an applicant in a set bands (1-6).

### **The band discount (CTS award):**

Each band (1-6) has a set % reduction of the payable Council Tax bill and this is provided through the CTS award.

Lower income households are placed into lower bands to ensure that they receive the maximum amount of support available reducing their remaining Council Tax bill.

### **Flat rate non-dependant deductions:**

Non-dependant adults in the household are charged a flat rate deduction of £5 per adult, irrespective of their status or income.

Current protections against non-dependant deductions for disabled households in receipt of PIP/DLA are protected resulting in no deductions being applied for these households.

### **Disability uplift:**

A disability uplift of 5% on top of the discount based on the band the applicant falls in is awarded for any applicant in receipt of PIP/DLA or the limited capacity to work (LCW) element of UC. This increases the level of support provided for the most vulnerable residents up to a maximum of 90% of the Council Tax bill.

Applicants can use their total household income to easily calculate the level of discount that will be awarded against their Council Tax bill based on the Council Tax band.

Applicants can also use the grid to determine the likely impact of any changes in their financial circumstances in their CTS award by looking at their total household income and the discount bands.

## Examples of how the new discount income banding CTS scheme could be applied:

### Council Tax band table 2023/24:

Council Tax Band	Full Charge 2023/24	Single person charge
A	£1,261.81	£946.36
B	£1,472.10	£1,104.07
C	£1,682.40	£1,261.80
D	£1,892.71	£1,419.54
E	£2,313.31	£1,734.99
F	£2,733.91	£2,050.44
G	£3,154.51	£2,365.89
H	£3,785.41	£2,839.06

Total household income (£ per week)	Household size	Council Tax Band
£350	Couple with 1 child	Band D

#### Example 1:

In the above example the applicant will fall into **Band 3** as their total household income of £350 per week falls into the income bracket of between £320 - £360 per week based on a household allowance for a couple and 1 child.

This means they will receive a discount of 65% of their Council Tax bill of £1,892.71 a year resulting in a CTS award of £1230.26.

This equates to a weekly CTS award of £23.65 against a full weekly charge of £36.39. This leaves a balance of £62.45 to pay.

#### Example 2:

Total household income (£ per week)	Household size	Council Tax Band
£85	Single person	Band C

In the above example the applicant will fall into **Band 2** as their total household income of £85 per week falls into the income bracket of between £80 - £125 per week based on a household allowance for a single person.

This means they will receive a discount of 75% of their Council Tax bill of £1261.80 a year resulting in a CTS award of £946.35.

This equates to a weekly CTS award of £18.19 against a full weekly charge of £24.26.

This leaves a balance of £315.45 to pay (£6.07 per week).

### Example 3:

Total household income (£ per week)	Household size	Council Tax Band
£200 (PIP awarded)	Couple	Band E

In the above example the applicant will fall into **Band 3** as their total household income of £200 per week falls into the income bracket of between £190-£230 per week based on a household allowance for a couple.

This applicant is in receipt of Personal Independence Payment (PIP) which has been disregarded as income.

This results in the applicant being awarded the disability uplift and increases their maximum discount to 70%.

This means they will receive a discount of 70% of their Council Tax bill of £2313.31 a year resulting in a CTS award of £1619.31.

This equates to a weekly CTS award of £31.14 against a full weekly charge of £44.48.

This leaves a balance of £694 to pay (£13.34 per week).