

Replacement Council Tax Support Scheme
2024/25

Internal modelling
Financial and impact analysis

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Introduction and background

The Council is currently able to undertake in year financial modelling of the proposed Council Tax Support (CTS) scheme change through the Capita Academy operating system which is used to process current entitlement to CTS.

Internal financial modelling will have some differences to external modelling from our partner Policy & Practice. This is due to different methodologies and data sets used for modelling.

The proposed replacement CTS scheme can be modelled against the current case load to demonstrate the financial impact of the change.

Changes to the proposed model can be made to affect the outcome and financial costs of the scheme with comparisons made to the current scheme.

This is used to ensure that the costs of the scheme are maintained at the fiscal level desired.

Internal modelling is limited to financial outcomes and does not provide analysis on the overall trends of the scheme change and is not broken down into specific types of claim due to system limitations on the modelling tool.

Further analysis has been undertaken on a case study basis to further demonstrate some of the potential impacts of the scheme change on residents of the borough who currently hold a claim for CTS.

Scheme overview

Introduction

The Council is proposing to change our Council Tax Support (CTS) scheme. The CTS scheme is the way we currently help residents on a low income to pay their Council Tax.

We want to:

- Simplify the scheme making it easy for residents to understand and access
- Provide the maximum level of support for all low-income households
- Remove the requirement to continually make changes in awards making support more consistent
- Reduce printing and postage costs
- Improve how the scheme works with the Universal Credit system
- Create a scheme that is fair and equitable to all residents
- Build in capacity to better manage an increase in demand for the scheme

We are proposing to replace the existing CTS scheme with a new simplified scheme for working age residents by introducing income bands rather than looking at precise household income to calculate the CTS award (the means test).

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

There is no complex means testing calculation applied.

Income allowances are provided based on household size.

Households are divided into income bands. Each band gives a % discount off the Council Tax bill. This is the new CTS award.

The scheme for pension age households is set by government and will continue to operate in the same way as it does currently.

Proposed income bands

Income banding table

Band	Discount	Single (Weekly net income)	Couple (Weekly net income)	Single 1 children addition	Single 2+ children addition	Couple 1 children addition	Couple 2+ children addition
1	85%	£0-£96	£0-£164	£0 - £184	£0 - £284	£0 - £252	£0 - £352
2	70%	£96 - £140	£164 - £208	£184 - £228	£284 - £338	£252 - £296	£352 - £406
3	55%	£140 - £168	£208 - £238	£228 - £262	£338 - £382	£296 - £334	£406 - £456
4	40%	£168 - £188	£238 - £260	£262 - £296	£382 - £426	£334 - £370	£456 - £506
5	25%	£188 - £208	£260 - £282	£296 - £320	£426 - £460	£370 - £396	£506 - £542
6	15%	£208 - £240	£282 - £316	£320 - £376	£460 - £506	£396 - £452	£542 - £605

The proposed income banding table shows the levels of income and the Council Tax discount that would be awarded based on the household income.

For households with children an additional income amount is allowed. This gives the total allowance for the household.

The total household income is then matched against the income allowance to calculate which band and discount will be awarded.

Financial analysis

Introduction

The current expenditure on the CTS scheme for the financial year 2023/24 is currently £16.08m.

Expenditure on the scheme can vary and fluctuate throughout the financial year due to increased or decreased demand for the scheme.

Scheme costs are also determined by increasing Council Tax charges, increased Council Tax base and the uprating of the value welfare benefits.

The Council made a significant investment into the CTS scheme for 2023/24 by increasing the maximum liability considered in the calculation of CTS from 75% to 85%, reducing the minimum payment required from all applicants from 25% to 15%. This increased the overall costs of the scheme from £14.6m in 2022/23 to £16.08 in 2023/24.

This change better reflected the socio-economic demographics of the borough providing a greater level of core support to residents in receipt of CTS.

Cost of options 2023/24

Table 1:

CTS scheme expenditure (current scheme and proposed scheme)

Household Type	Number of cases	Current scheme Expenditure	Proposed income banded scheme Expenditure	Saving	Saving %
Elderly	4503	£5,362,681.46	£5,370,851.26	+£8,170.02	+0.15%
Couple	419	£480,286.19	£446,603.01	-£33,683.20	-7.01%
Couple & 1 Child +	290	£274,670.87	£314,399.96	+£39,729.08	+14.46%
Couple & 2 Child +	1102	£1,158,991.53	£1,159,386.69	+£395.15	+0.03%
Single	2300	£2,156,829.67	£2,098,220.49	-£58,609.22	-2.72%
Single & 1 Child +	1292	£1,174,619.68	£1,182,138.84	+£7,519.13	+0.64%
Single & 2 Child +	2171	£2,069,571.99	£2,080,318.67	+£10,746.62	+0.52%
Passported	3047	£3,404,175.48	£3,423,135.89	+£18,960.38	+0.56%
Grand Total	15124	£16,081,826.87	£16,075,054.80	-£6,772.04	-0.04%

Table 1 provides a breakdown of the current CTS expenditure by household type as a comparison against the proposed income banded scheme.

Expenditure is broken down into the household type based on the proposed income banded scheme households.

The Passported household type refers to those claimants in receipt of old-style legacy benefit such as Employment Support Allowance or Income Support which 'passport' the claim award to the maximum amount of 85% automatically.

The total expenditure for the current CTS scheme is £16,081,826.87.

The total expenditure for the proposed banded income scheme is £16,075,054.80.

The income banded scheme has been modelled at a cost neutral position based on the current scheme expenditure with a saving in expenditure of £6,772.04.

Expenditure has been balanced on each household type against the current scheme expenditure.

The scheme provides slightly less support for couple and single households based on total expenditure, providing higher expenditure on all household types with children as an overall average.

The proposed scheme has a fiscally neutral cost against current expenditure within the current financial year and this is expected to be replicated into the 2024/25 financial year balanced against the expected expenditure if the current scheme were to be retained.

This meets the requirements from the MTF5 that requires future scheme costs to be balanced.

Projected cost 2024/25

Table 2:

CTS scheme expenditure – Proposed banded scheme 2024/25

Household type	Number of cases	Current scheme expenditure 2023/24	Proposed income banded scheme expenditure 2024/25	Saving	Saving %
Elderly	4505	£5,366,655.34	£5,675,019.33	+£308,363.99	+5.75%
Couple	418	£478,612.98	£468,695.95	-£9,917.03	-2.07%
Couple & 1 Child +	290	£274,670.87	£329,428.04	+£54,757.17	+19.94%
Couple & 2 Child +	1101	£1,156,690.86	£1,253,158.10	-£96,467.24	+8.34%
Single	2300	£2,156,829.67	£2,207,697.00	-£50,867.33	+2.36%
Single & 1 Child +	1292	£1,174,619.68	£1,243,489.04	-£68,869.36	+5.86%
Single & 2 Child +	2170	£2,068,505.32	£2,200,909.65	-£132,404.33	+6.40%
Passported	3048	£3,405,242.15	£3,593,485.09	-£188,242.94	+5.53%
Grand Total	15124	£16,081,826.87	£16,971,882.20	+£890,055.33	+5.53%

Projected scheme costs for 2024/25 for the current scheme cannot be modelled internally due to limitations to the modelling tool.

The projected costs for retaining the current scheme into 2024/25 have been modelled by Policy & Practice ¹ at £16.97m.

Scheme costs for the proposed income banded scheme for 2024/25 have been modelled at £16.97m.

This takes account of a predicted 4.99% increase in the annual Council Tax charge replicating the increase for 2023/24.

An increase in the Council Tax charge will increase the cost of the CTS scheme.

This modelling does not account for the annual uprating of welfare benefits which increases the level of household income.

Based on the projected cost of retaining the current scheme into 2024/25 the proposed income banding scheme retains a fiscally cost neutral position and does not exceed the projected spend on the current scheme into 2024/25.

Impact analysis

Better and worse off

Changes to the CTS scheme will result in changes to the level of some CTS awards, with some residents receiving higher awards, some residents receiving lower awards and some residents seeing their award unchanged.

This is because the replacement scheme will not exactly match the current scheme and will apply different levels of discount compared to household and income.

Some changes such as the introduction of a flat rate non-dependant charge of £7.50 will increase the deduction for some residents and reduce it for others.

The Council is protecting the maximum level of the discount at 85% to ensure the most vulnerable low-income residents in the borough remain protected.

Table 3:

Better/worse off

Total number of claimants better off	Total number of claimant worse off	Total number of claimants with no change	Total number of claims
1939 (18%)	1936 (18%)	6747 (64%)	10,622

The proposed scheme provides an equal number of claims that are better off from the scheme change against those that are worse off.

A majority of claims will see no change from their current award.

¹ Policy & Practice – Appendix 1

Table 4:
Better off breakdown (1939)

Household Type	Number of claims	% of claims
Couple	102	5%
Couple + 1 child	135	7%
Couple + 2 child	392	20%
Single	355	18%
Single + 1 child	285	15%
Single + 2 child	479	25%
Passported	191	10%

The largest cohort that benefits from the scheme change are single households with +2 children (25%).

Couples benefit very little from the change (5%).

Table 5:
Worse off breakdown (1936)

Household Type	Number of claims	% of claims
Couple	135	7%
Couple + 1 child	46	2%
Couple + 2 child	401	21%
Single	468	24%
Single + 1 child	268	14%
Single + 2 child	391	20%
Passported	227	12%

The largest cohort that is worse off from the scheme change are single households (24%).

Couples and couples with +1 child are worse off very little from the change (7% & 2%).

Table 6:
No change breakdown (6747)

Household Type	Number of claims	% of claims
Couple	182	3%
Couple + 1 child	109	2%
Couple + 2 child	309	5%
Single	1478	22%
Single + 1 child	739	11%
Single + 2 child	1301	19%
Passported	2629	39%

The largest cohort that has no change to their award are passported benefit claimants (old legacy benefits such as ESA)

Table 7:

Averages

Household Type	Total	Better Off	Worse Off	No Change
Couple	419	24.34%	32.22%	43.44%
Couple + 1 child	290	46.55%	15.86%	37.59%
Couple + 2 child	1102	35.57%	36.39%	28.04%
Single	2301	15.43%	20.34%	64.23%
Single + 1 child	1292	22.06%	20.74%	57.20%
Single + 2 child	2171	22.06%	18.01%	59.93%
Passported	3047	6.27%	7.45%	86.28%

A breakdown of the overall % of the household types that are better/worse off demonstrates that couples with +1 children as an average are more better off than worse off. This is reflected in the overall increased expenditure on this household type.

Single with +1 +2 children are also as an average more better off than worse off.

Couples, couple with +2 children, single and passported are all as an average more worse off.

Disability impact (protected characteristics)

Modelling has identified possible impacts on applicants with qualifying disability benefits (PIP/DLA) which would be covered under the equality act for protected characteristics.

Figures are considered to indicative only and are not a precise measurement of impact due to the challenges in the modelling process.

Worse off Cases	Total £	Average Per case
84	£43,948.74	£523.20
135	£48,261.78	£357.49
16	£5,816.62	£363.54
88	£59,461.47	£675.70
45	£16,280.40	£361.79
94	£45,073.23	£479.50
1	£250.98	£250.98
463	£219,093.22	£473.20

A total of 463 cases were identified as potentially having lower awards with a qualifying disability benefit on the claim.

The average lost award was £473.20 per year.

The current scheme provides additional premiums for some claimants in receipt of qualifying disability benefits. Premiums allow a claimant to have a higher level of income before the means test taper is applied to reduce the CTS award based on household income.

The proposed income banded scheme does not contain premiums. As a consequence claimants with a qualifying disability who would have been entitled to a disability premium may see a reduced award as more of their income will be taken into account to calculate the CTS award.

This will primarily affect claimants with qualifying disability benefits with higher incomes in receipt of existing legacy benefits. This may affect claimants in work or with other benefits such as Carers Allowance.

The loss of disability premiums may detrimentally affect claimants with qualifying disability benefits under the new scheme.

Premiums are not contained within UC and therefore claimants in receipt of this type of benefit will not be affected.

Better off Cases	Total £	Average Per case
30	£5,896.98	£203.34
58	£19,079.34	£346.90
20	£7,257.38	£381.97
52	£18,060.68	£361.21
47	£10,893.01	£279.31
86	£14,233.48	£200.47
127	£57,153.20	£510.30
375	£132,574.07	£353.53

A total of 375 cases were identified as potentially having higher awards with a qualifying disability benefit on the claim. The average increased award was £353.53 per year.

Some disabled claimants will benefit from the proposed change.

Claimants in receipt of UC will not lose out due to a loss of disability premiums.

The limited capacity to work element of UC and the Carers element are disregarded as income and not counted. This helps to support disabled claimants who are often in receipt of these additional awards.

Disabled claimants in receipt of UC who are in employment may benefit from more generous awards for the calculation of household income for UC employed earners under the proposed scheme.

Although only indicative this modelling demonstrates the potential impacts on applicants with disability and protected characteristics from the proposed scheme and should be noted.

Better and worse off financial analysis

Table 8:

In depth analysis of worse off claimants (1936)

	Total	0.01 - 25% least effected		25.01 - 50%		50.01 - 75%		75.01 - 100%		100% (FTQ) Most effected	
Non PB - Couple	135	65		22		23		2		23	
Average	43.04%	48.15%		16.30%		17.04%		1.48%		17.04%	
	-£ 464.43	-£ 220.93		-£ 398.98		-£ 773.98		-£ 794.28		-£ 876.96	
		Old	New	Old	New	Old	New	Old	New	Old	New
		£ 25.33	£ 21.09	£ 21.90	£ 14.23	£ 23.12	£ 8.24	£ 18.05	£ 2.78	£ 16.86	£ -
Non PB - Couple + 1Child	46	29		11		2		0		4	
Average	27.75%	63.04%		23.91%		4.35%		0.00%		8.70%	
	-£ 274.70	-£ 158.60		-£ 327.72		-£ 644.38		#DIV/0!		-£ 785.77	
		Old	New	Old	New	Old	New	Old	New	Old	New
		£ 22.34	£ 19.29	£ 18.84	£ 12.54	£ 19.13	£ 6.74	#DIV/0!	#DIV/0!	£ 15.11	£ -
Non PB - Couple + 2Child	401	163		120		65		24		29	
Average	38.93%	40.65%		29.93%		16.21%		5.99%		7.23%	
	-£ 501.68	-£ 196.14		-£ 451.53		-£ 818.95		-£ 1,159.23		-£ 1,171.25	
		Old	New	Old	New	Old	New	Old	New	Old	New
		£ 24.20	£ 20.43	£ 24.41	£ 15.73	£ 25.68	£ 9.93	£ 27.20	£ 4.91	£ 22.52	£ -
Non PB - Single	468	271		109		33		12		43	
Average	32.68%	57.91%		23.29%		7.05%		2.56%		9.19%	
	-£ 319.72	-£ 168.09		-£ 395.05		-£ 549.92		-£ 828.02		-£ 765.88	
		Old	New	Old	New	Old	New	Old	New	Old	New
		£ 20.55	£ 17.32	£ 21.23	£ 13.64	£ 17.74	£ 7.16	£ 19.09	£ 3.17	£ 14.73	£ -
Non PB - Single + 1Child	268	204		38		7		5		14	
Average	25.43%	76.12%		14.18%		2.61%		1.87%		5.22%	
	-£ 249.85	-£ 174.21		-£ 365.40		-£ 581.61		-£ 984.44		-£ 610.22	
		Old	New	Old	New	Old	New	Old	New	Old	New
		£ 20.54	£ 17.19	£ 19.60	£ 12.58	£ 19.10	£ 7.92	£ 22.93	£ 4.00	£ 11.74	£ -
Non PB - Single + 2Child	391	186		109		54		12		30	
Average	35.49%	47.57%		27.88%		13.81%		3.07%		7.67%	
	-£ 374.46	-£ 166.99		-£ 383.17		-£ 610.09		-£ 882.67		-£ 1,001.68	
		Old	New	Old	New	Old	New	Old	New	Old	New
		£ 21.26	£ 18.05	£ 20.33	£ 12.96	£ 19.82	£ 8.09	£ 20.53	£ 3.55	£ 19.26	£ -
Passported	227	169		50		7		1		0	
Average	20.34%	74.45%		22.03%		3.08%		0.44%		0.00%	
	-£ 259.39	-£ 191.69		-£ 416.26		-£ 655.20		-£ 1,086.80		#DIV/0!	
		Old	New	Old	New	Old	New	Old	New	Old	New
		£ 24.05	£ 20.36	£ 23.97	£ 15.96	£ 22.45	£ 9.85	£ 22.75	£ 1.85	#DIV/0!	#DIV/0!
		58.27%		22.50%		9.16%		2.20%		7.86%	
		1087		459		191		56		143	

Table 8 demonstrates the impact in financial terms of claimants who are worse off from the scheme change.

Headline figures:

1936 claimants are worse off.

The average CTS award is reduced from £21.73 p/w to £14.80 p/w.

The average financial loss per year is £360.74.

The average loss of award is 33%.

143 claims lose 100% of their current award and are no longer eligible for support.

1087 (58.27%) lose up to 25% of their current award. This is the largest % and demonstrates that a significant majority have an acceptable financial loss per year.

This ranges from approx. £150-£220 per year financial loss.

459 (22.5%) lose between 25-50% of their current award.

This ranges from £320 - £450 per year financial loss.

A loss of 0.1 – 50% of the current award accounts for 80.77% of the total losses.

The total value of the losses is £698,757.92.

Table 9:

In depth analysis of claimants better off (1939)

	Total	0.01 - 25%		25.01 - 50%		50.01 - 75%		75.01 - 100%		100%+		200%+		300%+	
		least better off												Most better off	
Non PB - Couple	102	30		24		21		9		12		4		2	
Average	77.46%	29.41%		23.53%		20.59%		8.82%		11.76%		3.92%		1.96%	
	£ 284.46	£ 89.75		£ 250.61		£ 343.62		£ 397.65		£ 478.95		£ 515.35		£ 852.15	
		Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
		£ 22.00	£ 23.73	£ 13.66	£ 18.48	£ 10.54	£ 17.14	£ 9.15	£ 16.79	£ 7.62	£ 16.83	£ 4.52	£ 14.43	1.40	17.79
Non PB - Couple + 1child	135	33		18		11		13		35		7		18	
Average	160.49%	24.44%		13.33%		8.15%		9.63%		25.93%		5.19%		13.33%	
	£ 387.89	£ 82.51		£ 259.96		£ 392.50		£ 447.41		£ 507.24		£ 647.71		£ 696.78	
		Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
		£ 19.85	£ 21.44	£ 13.38	£ 18.38	£ 12.11	£ 19.66	£ 10.01	£ 18.61	£ 6.82	£ 16.57	£ 5.24	£ 17.70	2.74	16.14
Non PB - Couple + 2 child	392	84		40		31		23		83		40		91	
Average	297.38%	21.43%		10.20%		7.91%		5.87%		21.17%		10.20%		23.21%	
	£ 514.21	£ 100.49		£ 310.37		£ 417.11		£ 519.57		£ 645.64		£ 805.16		£ 769.66	
		Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
		£ 19.60	£ 21.54	£ 15.71	£ 21.67	£ 13.39	£ 21.41	£ 11.02	£ 21.01	£ 8.51	£ 20.93	£ 6.22	£ 21.71	2.85	17.65
Non PB - Single	355	122		57		72		28		45		13		18	
Average	91.60%	119.61%		55.88%		70.59%		27.45%		44.12%		12.75%		5.07%	
	£ 256.78	£ 87.86		£ 242.16		£ 327.74		£ 338.22		£ 451.69		£ 418.11		£ 433.65	
		Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
		£ 16.21	£ 17.90	£ 13.05	£ 17.70	£ 10.64	£ 16.94	£ 7.89	£ 14.39	£ 6.82	£ 15.51	£ 3.27	£ 11.31	1.56	9.90
Non PB - Single + 1Child	285	73		37		50		18		55		15		37	
Average	204.29%	25.61%		12.98%		17.54%		6.32%		19.30%		5.26%		12.98%	
	£ 266.92	£ 90.80		£ 212.42		£ 281.72		£ 304.92		£ 369.31		£ 362.57		£ 439.38	
		Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
		£ 16.16	£ 17.91	£ 10.89	£ 14.98	£ 8.93	£ 14.34	£ 7.25	£ 13.12	£ 5.55	£ 12.65	£ 3.01	£ 9.98	1.44	9.89
Non PB - Single + 2Child	479	153		49		52		32		80		46		67	
Average	561.25%	31.94%		10.23%		10.86%		6.68%		16.70%		9.60%		13.99%	
	£ 330.33	£ 81.87		£ 258.35		£ 356.14		£ 394.46		£ 474.01		£ 518.97		£ 598.62	
		Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
		£ 17.78	£ 19.36	£ 14.05	£ 19.02	£ 11.40	£ 18.25	£ 9.02	£ 16.61	£ 6.45	£ 15.57	£ 4.26	£ 14.24	1.93	13.44
Passported	191	77		23		37		8		34		9		3	
Average	67.88%	40.31%		12.04%		19.37%		4.19%		17.80%		4.71%		1.57%	
	£ 409.29	£ 188.43		£ 293.63		£ 441.37		£ 594.10		£ 740.69		£ 829.40		£ 1059.93	
		Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
		£ 19.34	£ 22.96	£ 15.69	£ 21.34	£ 15.05	£ 23.54	£ 13.71	£ 25.13	£ 12.08	£ 26.33	£ 7.05	£ 23.00	4.69	25.07
		41.82%		19.74%		22.14%		9.85%		22.40%		7.38%		10.30%	
		572		248		274		131		344		134		236	

Headline figures:

1939 claimants better off

The average CTS award is increase from £11.26 p/w to £18.07 p/w.

The average financial gain per year is £354.09.

The average gain is 268%.

717 claims benefit by 100% or more increase on their current award (36.97%)

572 (41.82%) gain by up to 25% of their current award.

This ranges from £20-£40 per financial year gain.

248 (19.74%) gain by up to 25%-50% of their current award.

This ranges from £250 - £310 per financial year gain.

A gain of 0.1% - 50% of the current award accounts for 61.56% of the total gains.

The total value of the gains is £686,932.92

Conclusions

A majority of the losses are categorised between 0.1-50% and are therefore considered acceptable with a greater majority losing 0.1-25% of their current award.

143 cases losing 100% of their current award is a significant loss however this is only 1.34% of the total working age case load. However the impact on these claimants will be very significant losing all of their current award and no longer being eligible for CTS.

This cannot be effectively mitigated without sufficient funding being available for Discretionary Council Tax Relief.

Claims that are better off between 0.1-50% account for a significantly lower % than the comparable claims that are worse off.

717 claims that are better off by more than 100% with a range up to 8,000% better off is considered inequitable with gains of a far larger % than desired.

The current range of gains is not consistent overall with an average gain of 268%.

Case studies

Worse off

Who loses and who benefits?

Worse off case studies:

Household type	Income type	Disabled / Carer	Current award per week	New award	Yearly loss	% loss	Explanation
Couple +1 child	Earnings PIP Carers Allowance Legacy Benefit claim	Y	£15.77	£0.00	£819.86	100%	Income exceeds the income band threshold and is nil qualified Claim loses: Disability premium Enhanced disability premium Carers Premium The loss of these premiums means much more income is now considered than previously.
Couple +1 child	Earnings PIP Tax Credits Carers Allowance Disabled child (PIP) Legacy Benefit claim	Y	£13.12	£0.00	£749.87	100%	Income exceeds the income band threshold and is nil qualified Claim loses: Disability premium Enhanced disability premium Carers Premium Disabled child premium Family premium The loss of these premiums means much more income is now considered than previously.
Couple +1 child	Self employed Earnings Tax credits PIP Legacy Benefit claim	Y	£4.72	£0.00	£244.74	100%	Income exceeds the income band threshold and is nil qualified Claim loses: Disability premium Enhanced disability premium Family premium The loss of these premiums means much more income is now considered than previously.
Couple +1 child	UC only	N	£25.55	£0.00	£1328.63	100%	Capital exceeds £6,000 Capital limit reduced from £10,000 - £6,000
Couple +1 child	Earnings PIP	Y	£15.92	£5.42	£545.66	66%	Claim loses: Disability premium Enhanced disability premium

	Tax Credits Legacy Benefit claim						Family premium The loss of these premiums means much more income is now considered than previously. Claim falls into a lower band
Couple +1 child	Earnings PIP Tax Credits Carers Allowance ESA Legacy Benefit claim	Y	£22.33	£8.02	£743.09	64%	Claim loses: Disability premium Family premium Carers premium The loss of these premiums means much more income is now considered than previously. Claim falls into a lower band
Couple +2 child	Self employed Earnings PIP Tax Credits Carers Allowance ESA Disabled child (PIP) Legacy Benefit claim	Y	£30.77	£0.00	£1600.01	100%	Income exceeds the income band threshold and is nil qualified Claim loses: Disability premium Enhanced disability premium Family premium Disabled child premium The loss of these premiums means much more income is now considered than previously. Claim has 4 child allowance that is now restricted to an allowance for 2.
Couple +2 child	UC Earnings	N	£9.47	£0.00	£492.26		Claim has 11 child allowance that is now restricted to an allowance for 2. The loss of the extra child allowances means the income is too high to qualify
Couple +2 child Non dependant adults	Earnings Tax Credits Carers Allowance Legacy Benefit claim	Y	£20.32	£2.41	£1057.23		Claim has 3 child allowances that is now restricted to an allowance for 2. Non dependant deductions X3 have increased as no exemptions
Couple +2 child	Earnings Tax Credits	N	£22.75	£7.50			Claim has 5 child allowances that is now restricted to an allowance for 2.

	Legacy Benefit claim						Non dependant deductions X1 have increased as no exemptions
Single +1 child	Earnings PIP Tax Credits Disabled child (PIP) Legacy Benefit claim	Y	£6.77	£0.00	£351.88	100%	Income exceeds the income band threshold and is nil qualified Claim loses: Disability premium Enhanced disability premium Severe disability Disabled child premium The loss of these premiums means much more income is now considered than previously.
Single +1 child	Earnings Tax Credits Carers allowance Disabled child Legacy Benefit claim	Y	£27.35	£3.69	£1229.75	86%	Claim loses: Disability premium Enhanced disability premium Carers premium The loss of these premiums means much more income is now considered than previously. Claim falls into a lower band Non dependant deductions X1 have increased as no exemptions
Single +1 child	Earnings PIP Tax Credits Carers Allowance Disabled child (PIP) Legacy Benefit claim	Y	£27.35	£4.81	£1171.25	82%	Claim loses: Disability premium Enhanced disability premium Severe disability Disabled child premium The loss of these premiums means much more income is now considered than previously.
Single +2 child Non dependants	Widowed parents allowance Tax Credit Disabled child Legacy Benefit claim	N	£21.57	£0.00	£1121.61	100%	Claim loses: Disabled child premium Claim has 6 child allowances that is now restricted to an allowance for 2. Non dependant deductions X3 have increased as no exemptions

Single +2 child Non dependants	Earnings Self-employed earnings Tax Credits Disabled child Legacy Benefit claim	N	£27.35	£3.69	£1229.75	86%	<p>Claim loses:</p> <ul style="list-style-type: none"> Enhanced disability premium Disabled child premium <p>The loss of these premiums means much more income is now considered than previously.</p> <p>Claim has 4 child allowances that is now restricted to an allowance for 2</p> <p>Non dependant deductions X1 have increased as no exemptions</p>
Single + 2 child	Earnings Tax Credits Child care deduction Legacy Benefit claim	N	£23.08	£4.06	£988.24	82%	<p>Claim loses:</p> <ul style="list-style-type: none"> Child care deduction as not considered for legacy cases <p>Claim has 5 child allowances that is now restricted to an allowance for 2</p>

Conclusions from the case studies for worse off:

Legacy benefits (non-Universal Credit) as a whole are more affected by the change. This is in part due to the scheme offering better generosity to claimants in receipt of Universal Credit and the calculations of income applied to legacy benefit cases which differ to those of Universal Credit and are less generous.

The current means tested scheme offers disability and carer premiums for disabled applicants and those with caring responsibilities which allows them to keep more of their income before a reduction in support. The proposed scheme contains no premiums which may affect certain disabled applicants.

Legacy applicants who receive certain elements of Tax Credits will be affected. Disabled child or child care elements paid through Tax Credits cannot be disregarded as they are for Universal Credit.

Households with 3+ children who are currently receiving the same number of allowances will be affected by the restriction to a 2+ child limit. A reduction in the allowances will reduce the support.

Cases with non-dependant adults may see an increase in the charge due to the introduction of a flat rate deduction at a higher level.

The current scheme is less generous to Universal Credit claimants with legacy benefits on average receiving higher awards. The proposed scheme reverses this trend treating Universal Credit applicants more generously as an average. As the managed migration to Universal Credit from all remaining legacy benefits is completed this will ensure that support is effectively provided to the changed case load.

Better off

Case studies.

Who loses and who benefits?

Better off case studies.

Household type	Income type	Disabled / Carer	Current award per week	New award	Yearly increase	% gain	Explanation
Couple +1 child	UC Earnings Other income	N	£0.73	£12.84	£631.29	1662%	<p>The current scheme calculates income at £604.75 which includes £328 in UC.</p> <p>The new scheme calculates income at £366.46 as much less UC is being taken into account due to the disregards of elements of UC and how this interacts with the earnings deductions made against the UC award.</p> <p>This is how the calculation works</p>
Couple +1 child	UC Earnings	N	£0.88	£12.84	£623.70	1368%	<p>The current scheme calculates income at £593.25 which includes £373.19 in UC.</p> <p>The new scheme calculates income at £355.26 as much less UC is being taken into account due to the disregards of elements of UC and how this interacts with the earnings deductions made against the UC award.</p> <p>This is how the calculation works</p>
Couple +1 child	UC Earnings	N	£0.88	£17.65	£874.68	1919%	<p>Household is incorrect. Listed as a couple but UC award shows as a single person.</p> <p>Wrong household = wrong band</p> <p>Data cleansing on households will be required prior to any scheme change</p>
Couple +2 child	Self employed earnings	N	£11.27	£22.46	£585.07	100%	<p>Difference in how the means test falls on excess income and the income banding discount and threshold</p>

	Tax Credits						
Couple +2 child	UC Earnings	N	£7.92	£23.87	£832.23	202%	<p>The current scheme calculates income at £416.02 which includes £322.87 in UC.</p> <p>The new scheme calculates income at £324.10 as much less UC is being taken into account due to the disregards of elements of UC and how this interacts with the earnings deductions made against the UC award.</p> <p>This is how the calculation works</p>
Couple +2 child	UC Earnings Carers Allowance	Y	£4.39	£17.65	£691.75	303%	<p>The current scheme calculates income at £726.15 which includes £468.10 in UC.</p> <p>The new scheme calculates income at £410.36 as much less UC is being taken into account due to the disregards of elements of UC and how this interacts with the earnings deductions made against the UC award.</p> <p>This is how the calculation works</p>
Single +1 child	Boarder income Tax Credits	N	£10.32	£15.44	£268.61	50%	<p>Same incomes are used to calculate the award.</p> <p>This is a difference between the means test on excess income and where the income band discount and threshold sits</p>
Single +1 child	UC Other income	N	£8.37	£16.85	£441.14	102%	<p>Same incomes are used to calculate the award.</p> <p>This is a difference between the means test on excess income and where the income band discount and threshold sits</p>
Single +1 child	UC Earnings	N	£4.42	£13.24	£460.11	200%	<p>The current scheme calculates income at £371.14 which includes £189.43 in UC.</p> <p>The new scheme calculates income at £249.65 as much less UC is being taken into account due to the disregards of elements of UC and</p>

							<p>how this interacts with the earnings deductions made against the UC award.</p> <p>This is how the calculation works</p>
Single +2 child	UC Earnings	N	£18.20	£27.28	£475.91	50%	<p>The current scheme calculates income at £257.75 which includes £204.29 in UC.</p> <p>The new scheme calculates income at £282.75 as much less UC is being taken into account due to the disregards of elements of UC and how this interacts with the earnings deductions made against the UC award.</p> <p>This is how the calculation works</p>
Single +2 child Non-deps X2	UC Earnings Carer element Disabled child element	Y	£7.19	£14.56	£385.72	103%	<p>Less income is taken into account due to the disregards of elements of UC.</p> <p>Non-dependant change is positive with a 50%+ reduction in 1 charge</p>
Single +2 child	UC Earnings	N	£5.62	£16.85	£586.35	201%	<p>The current scheme calculates income at £408.92 which includes £319.75 in UC.</p> <p>The new scheme calculates income at £319.48 as much less UC is being taken into account due to the disregards of elements of UC and how this interacts with the earnings deductions made against the UC award.</p> <p>This is how the calculation works</p>
Single +2 child	UC Earnings	N	£2.47	£9.84	£384.81	300%	<p>Difference between the means test calculation and where the income band sits</p>
Couple	UC Earnings Carer element LCW element PIP	Y	£11.95	£17.64	£298.63	48%	<p>The current scheme calculates income at £433.45 which includes £265.58 in UC.</p> <p>The new scheme calculates income at £218.29 as much less UC is being taken into account due to the disregards of elements of UC and how this interacts with the earnings</p>

							deductions made against the UC award. This is how the calculation works
Couple	UC Earnings	N	£11.86	£23.86	£627.54	102%	The current scheme calculates income at £353.12 which includes £206.82 in UC. The new scheme calculates income at £259.40 as much less UC is being taken into account due to the disregards of elements of UC and how this interacts with the earnings deductions made against the UC award. This is how the calculation works
Single	UC Earnings	N	£8.85	£13.23	£229.85	50%	The current scheme calculates income at £236.24 which includes £100.57 in UC. The new scheme calculates income at £148.40 as much less UC is being taken into account due to the disregards of elements of UC and how this interacts with the earnings deductions made against the UC award. This is how the calculation works
Single	Earnings Legacy claim	N	£6.56	£13.23	£348.09	102%	Difference between the means test calculation and where the income band sits

Conclusions from the case studies:

The majority of cases sampled that were better off were Universal Credit cases with earnings.

This is due to how the system calculates the NET income for these cases. The calculation can result in all of the UC award being disregarded reducing the overall income in the calculation increasing the level of the award.

Legacy cases can be better off but this is dependent on individual cases and how the incomes are compared to the means test.

As a whole the scheme should be beneficial to UC claimants, notwithstanding any reductions due to non-dependant deductions.