

How does an income banded discount Council Tax
Support (CTS) scheme work?

Examples and case studies

Appendix 3

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How does an income banded 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 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 proposed scheme)

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

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.

Household income:

This scheme takes into account all household income such as:

- All Benefits
- 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
- The limited capacity for work element of UC
- The Carer element of UC
- The disabled child element of UC
- Child Benefit
- War Pensions
- 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 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 £7.50 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.

Students and partners of non-dependants are also protected from a deduction to mirror the current scheme.

Capital limit:

A capital limit of £6,000 is being proposed. This reduces the limit from £10,000 under the current scheme.

Any resident with capital over £6,000 will not be eligible for the scheme.

Examples of how to calculate the new income banded discount scheme

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

Example 1:

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

In the above example the applicant will fall into **Band 4** as their total household income of £350 per week falls into the income bracket of between £334-£370 per week based on a household allowance for a couple and 1 child.

This means they will receive a discount of 40% of their Council Tax bill of £1,892.71 a year resulting in a CTS award of £757.08.

This equates to a weekly CTS award of £14.55 against a full weekly charge of £36.39.

This leaves a balance of £1,135.63 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 1** as their total household income of £85 per week falls into the income bracket of between £80 - £96 per week based on a household allowance for a single person.

This means they will receive a discount of 85% of their Council Tax bill of £1261.80 a year resulting in a CTS award of £1072.53.

This equates to a weekly CTS award of £20.62 against a full weekly charge of £24.26.

This leaves a balance of £189.27 to pay (£3.63 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 2** as their total household income of £200 per week falls into the income bracket of between £164-208 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 as is not used to calculate the household income.

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).

Case study (comparisons with the current scheme)

The following examples are current cases awarded under the current scheme compared to the award under the proposed income banded scheme.

Example 1

A couple with two children on Universal Credit and in employment

Mrs A has a partner and two children. She is in receipt of Universal Credit and is in part time employment.



Under the current scheme

Currently her Council Tax charge is £32.17 per week.

She receives £17.87 per week in CTS.

This means she must pay £14.30 per week.

Under the new scheme

Her Council Tax charge remains £32.17 per week.

She now receives £27.35 per week in CTS.

This means she must now pay £4.82 per week.

Explanation

Under the current scheme a means test is applied against household income of £581.26 per week which includes all of her Universal Credit award and her part time earnings.

Under the new scheme only £342.97 of household income is considered due to not all of the Universal Credit award being counted.

A couple with 2 children have an income allowance of up to £605 per week to qualify for CTS (income banding table).

They are placed into band 1 as their income is below £352 per week and receive an 85% discount.

Example 2

A single person with one non-dependant adult in the household

Mr A is single and in receipt of Universal Credit. He does not work.

His non-dependant son lives at the property who is also in receipt of Universal Credit and is not working.



Under the current scheme

Currently his Council Tax charge is £32.17 per week.

He receives £27.35 per week in CTS.

This means he must pay £4.82 per week.

Under the new scheme

His Council Tax charge remains £32.17 per week.

He now receives £20.97 per week in CTS.

This means he must pay £11.20 per week.

Explanation

Under the current scheme there is no non-dependant deduction taken for Mr A's son as he is in receipt of Universal Credit.

Under the new scheme there is a flat rate deduction for adults in the property of £7.50 per week (unless disability exemptions apply).

A deduction is now being taken for his son that was not taken previously.

This reflects that the son has income and should contribute housekeeping towards the cost of the household.

He remains in band 1 as his income is below £96 per week but his CTS award is reduced due to a new deduction for his son.

This means he must pay more than under the current scheme.

Example 3

A couple with a low income from part time employment

Mr B is self-employed on a low income and is in receipt of Working Tax Credit. Mrs B is not working.



Under the current scheme

Currently his Council Tax charge is £44.20 per week.

He receives £11.69 per week in CTS.

This means he must pay £32.51 per week.

Under the new scheme

His Council Tax charge remains £44.20 per week.

He now receives £6.63 per week in CTS.

This means he must pay £37.57 per week.

Under the current scheme a means test is applied against household income of £262.85 per week which includes all of his Tax Credit award and self-employed earnings.

Under the new scheme £284.37 per week of household income is considered as there are no disregards.

A couple have an income allowance up to £316 per week to qualify for CTS (income banding table).

They are placed into band 6 as their income is between £282 - £316 per week and receive a 15% discount.

Example 4

A couple with 5 children in employment.

Mr A and Mrs B have 5 children and Mr A is in part time employment. They are also in receipt of Tax Credits.



Under the current scheme

Currently his Council Tax charge is £32.17 per week.

He receives £22.75 per week in CTS.

This means he must pay £9.42 per week.

Under the new scheme

His Council Tax charge remains £32.17 per week.

He now receives £3.69 per week in CTS.

This means he must pay £28.48 per week.

Under the current scheme a means test is applied against household income of £516.32 per week which includes all of his Tax Credits award and part time earnings.

Under the new scheme £543.42 of household income is considered which is higher as there are no disregards being applied (earnings disregard for hours over 16) and the household is not in receipt of Universal Credit.

Under the current scheme the household gets an allowance for all 5 children.

This means the household can have a higher income and keep a higher CTS award.

Under the new scheme this allowance is restricted to 2 children.

This means more income is being considered with a lower child allowance.

A couple with 2 children have an income allowance of up to £605 per week to qualify for CTS (income banding table).

They are placed into band 6 as their income is between £542 - £605 per week and receive an 15% discount.