

Appendix 1

Option 1 – CTRS is based on a fixed percentage of council tax liability

Under this option, all households have to pay a percentage of their Council Tax liability, regardless of their personal circumstances or the band of property in which they live. They then receive CTRS to help them pay for the remaining percentage.

Impact on recipients: Band D Council Tax levels in Wales in 2013-14 range from £974.36 to £1,525.87. Band D households currently in receipt of full CTRS, would pay, for example, 10% of their bill, which would range from £97 to £153, depending on the Authority in which they live. The average annual household loss by Authority (ie. across all CTRS households) in 2013-14 would range from £72 to £102, with at least 96% of CTRS-entitled households in each Authority affected. This option withdraws more support from those in partial CTRS than option 2 below.

Impact on LA revenues: Across all 22 Authorities the total 'saving' (in terms of additional revenue collected) would be around £28 million, with the proportionate impact on revenues broadly equal across Authorities (at between 10.9% and 11.5% of their CTRS expenditure).

Option 2 - Council Tax Support is cut by a fixed percentage across-the-board

Entitlement is calculated as normal, but all reductions are then reduced by the percentage.

Impact on recipients: The impact on those currently in receipt of full CTRS is the same as for the previous option but, because of the way in which the reduction is calculated, this option is slightly more beneficial for those in receipt of a partial reduction of CTRS. The average annual household loss by Authority ranges from £64 to £89, again with at least 96% of households affected in every Authority.

Impact on LA revenues: Across all 22 Authorities the total 'saving' (in terms of additional revenue collected) would be around £25 million, with the proportionate impact on revenues equal across Authorities.

Option 3 - Capping CTRS entitlement at the Council Tax liability for the band below the one in which the recipient lives

The maximum reduction in Council Tax liability is capped at the Council Tax rate for the tax band below that for the dwelling. So a Band B household's CTRS reduction would be equal to that for a Band A dwelling in their Authority, a Band C reduction would be capped at the Band B level and so on.

Impact on recipients: The impact would depend on the band of the property in which they live and on their Authority. The annual average household loss by Authority would range from £101 to £152, and at least 96% of CTRS-entitled households would be affected in all areas.

Impact on LA revenues: Across all Authorities the total 'saving' would be £40 million, and in contrast to the other property band-based options above, the impact would be broadly the same across individual Authorities (ranging from 14.9% to 18.7%).

Option 4 - Reducing entitlement by capping CTRS entitlement at the Council Tax liability for a Band B property

Entitlement to CTRS is calculated as normal, but the maximum reduction in Council Tax liability is capped at the level of Council Tax for a Band B property. Full entitlement is maintained for Bands A and B, but all other households have to pay part of their Council Tax, with those in higher band properties paying more.

Impact on recipients: The Band B council tax charge 2013-14 ranges from £758 to £1,187. A band D household currently receiving full CTRS would face a bill of between £217 and £339, which is the difference between the Band B and Band D rates in their area. Residents in Bands A and B would be protected, but those in higher bands would pay more than under the previous options. The average annual loss for households affected is therefore higher than for the previous options, ranging from £160 to £291. The proportions of CTRS-entitled households affected would vary widely between Authorities (from 5% to almost 70%), because of the variation in the numbers of Band A and B properties.

Impact on LA revenues: Across all Authorities the total 'saving' would be £27 million, but the impact would vary between Authorities from only 1.6% of CTRS income to over 23%, with the more deprived areas generating less additional revenue and those with larger numbers of higher band properties generating more. Without a mechanism to redistribute the funding released, some Authorities would still face a substantial shortfall.

Option 5 - Reducing entitlement by removing entitlement entirely from residents in Band E and above

Residents in Band E or above are automatically disallowed from any entitlement to CTRS. Residents of Bands A to D are unaffected: their entitlements are protected, and are determined in the same way as now.

Impact on recipients: The CTRS entitlements for those in Bands A to D are unaffected, and these residents account for around 93% of the total caseload. However, the rise in Council Tax liability for residents in higher property bands who currently receive CTRS would be very steep. The average CTRS reduction paid to Band E households is £1084, but under this option, they would receive no reduction, and would be liable for their full Council Tax bill.

The proportion of CTRS households affected in each Authority would vary from less than 1% to over 17%.

Impact on LA revenues: Across all Authorities the total 'saving' would be £26 million (or around 10.6% of CTRS expenditure) but again the impact would vary between Authorities because of the variation in the numbers of properties in each band.

Option 6 – Increase the income taper to 30%

For CTRS recipients subject to the means test, if their income exceeds their applicable amount, their weekly entitlement is reduced by 20p for each £1 of excess weekly income (the taper), until entitlement is fully withdrawn. This option would increase the reduction to 30p for each £1, leading to a steeper fall in entitlement as income increases.

Impact on recipients: Those in receipt of full CTRS would be unaffected, but those on partial reductions would see their entitlement reduced. This is likely to affect between 19% and 25% of CTRS households, with an average loss ranging between £114 and £189. An increase in the taper rate will erode any additional income generated from working, reducing the incentive for those receiving welfare benefits to find work or increase earnings.

Impact on LA revenues: Across all Authorities the total 'saving' would be approximately £9.2 million, and the impact would be broadly the same across individual Authorities.