

APPENDIX 2 – ANALYSIS OF OPTIONS FOR IMPLEMENTING A NEW LOCAL COUNCIL TAX ALLOWANCE SCHEME

Option	Description	Detail	Potential Savings	Risks/Issues
1	No Change	Adopt the current national scheme as the new local scheme	In principle, would provide relevant savings (to SDDC)	Affordability in the MTFP – either budget reductions, use of reserves or council tax increases. Most of the cost is passed to other preceptors.
2	No Change	Adopt the current national scheme as the new local scheme, but change other discounts and exemptions to meet the cost	Various, potentially could meet all the funding gap	Would need to remove Class C exemptions for it to deliver significant savings. This could be complicated by short term empties being volatile, potentially leading to greater administration and collection of smaller debts.
3	Straight Line Cut for unprotected groups	A percentage cut in current entitlement for all unprotected groups	The percentage would be calculated to achieve the savings required	Depends upon who is protected, the greater the number, the more other claimant groups will pay. For example, protecting pensioners, single parent families and people with disabilities, would mean all remaining claimants being cut by 30% (about £5 per week on average) to achieve the 10% cut.
4	Reduce Benefit Awards for all Working Age Claimants	Whether they are earning or not; <u>this effectively provides protection for all Pensioners only.</u>	The percentage would be calculated to achieve the savings required	Working age claimants would see a reduction of around 20% in support (about £3 per week on average) to achieve the 10% cut. Potentially, would not protect all “vulnerable” groups.
5	Banded Discount Scheme	Restricts tax liability on which benefit is calculated to that of a lower band within the same area/parish. Effectively, a maximum discount applies irrespective of the actual property band.	The maximum saving by restricting to Band A level would save around £307,000 .	Again, the gearing effect. Where protection applies, the remaining groups pay more. Doesn't provide the full savings on its own and would be reduced if other protected groups are included by up to £100,000. Administration increases and system changes become complex as more groups are protected.

APPENDIX 2 – ANALYSIS OF OPTIONS FOR IMPLEMENTING A NEW LOCAL COUNCIL TAX ALLOWANCE SCHEME

6	Reduce Upper Capital Limits	Lower the current savings limit of £16k which applies before benefit is reduced (i.e. benefit can still be awarded with capital/savings of up to £16k)	For example, if the maximum capital is halved to £8k, this saves around £28k and a £10k limit saves £16k .	Compared to the overall funding gap, savings are small. Extra administration as the lower capital limit may see more people moving in and out of support.
7	Remove Second Adult Rebate	Remove the benefit award where a second adult sharing the dwelling is on low income or benefit, etc.	£16,000	With only 20 current cases in the District, the savings are small. In addition, most cases involve pensioner households who will be protected in any case.
8	No Backdating of Benefit Awarded	The Council backdates benefit even when an application is made in arrears. This could change so support would only apply from when an application was notified to the Council.	£14,000	Fairness could be an issue especially where other benefits may have been backdated.
9	Treatment of Child Benefit	This is no longer disregarded for calculating entitlement	A maximum of £169k based on current caseload	Potentially, a more substantial saving on its own, but would not deliver the savings to fund the gap for all preceptors.
10	Maintenance Payments	These are no longer disregarded for calculating entitlement	£1k based on current caseload	Savings are negligible
11	Non-dependent Deductions	Double the amount that is deducted from benefit awarded for non-dependents	£28k based on current caseload	Compared to the overall funding gap, savings are small.

APPENDIX 2 – ANALYSIS OF OPTIONS FOR IMPLEMENTING A NEW LOCAL COUNCIL TAX ALLOWANCE SCHEME

12	Increase the Taper	Where net income is greater than the “applicable amount,” withdraw entitlement at a faster rate. (<i>Currently for every £1 over the applicable amount, CT benefit is withdrawn at a rate of 20%</i>).	By increasing the rate to 25%, saves around £77k .	The taper produces a “cliff edge” effect where a marginal increase in income reduces CT support at a greater rate, in particular for those at the end of the taper. Greater administration and potentially, cost of system changes due to greater complexity.
13	Introduce a maximum limit on the amount of support that can be paid.	All claimants pay a proportion of their council tax first (say 10%) and then support is provided on the balance.	At 10%, this saves a maximum of £313,000 .	Claimants who currently pay no council tax would probably be much worse off (when compared to Option 3). If this group is protected savings are reduced to around £190,000.