

Current scheme

- Modelled cost is £13,235,875.73
- Based on 14,888 claims

Impact

This is the do-nothing option.

Advantages

- No impact to customers
- Little/ no risk from incorrect modelling or simply choosing an incorrect scheme
- Scheme is responsive to change in circumstances (e.g. no cliff edges created by bands)

Disadvantages

- Scheme remains complex
- Increase in UC will continue to increase admin burden
- Potential unfairness in universal credit treatment compared to benefits.
- Taxpayers will receive frequent bills and letters
- Limited opportunities for admin savings due to complexity of the scheme

Model 1 - A banded scheme with no other changes except for changing the current liability cap and excess income calculations with a new grid/income-based system.

- Modelled cost is £11,657,990.32

	Band1	Band2	Band3	Band4	Band5
	65%	55%	45%	35%	20%
>1 dependant	£0 - £219.10	£219.11 - £263.65	£263.66 - £308.20	£308.21 - £352.75	£352.76 - £397.30
1 dependant	£0 - £164.10	£164.11 - £208.65	£208.66 - £253.20	£253.21 - £297.75	£297.76 - £342.30
Couple, no dependants	£0 - £129.10	£129.11 - £173.65	£173.66 - £218.20	£218.21 - £262.75	£262.76 - £307.30
Single, no dependants	£0 - £89.10	£89.11 - £133.65	£133.66 - £178.20	£178.21 - £222.75	£222.76 - £267.30
	Passported in band 1				

Impact

Scheme	Total (p.a.)	Difference (p.a.)	Number of positive awards	Newly zero awards	Max weekly 'gain'	Max weekly 'loss'	Average weekly diff
Pensioner	6,761,896.08	0.45	6164	0	0.00	0.00	0.00
Passported	3,351,393.88	-864.93	4362	0	4.05	-12.38	0.00
More than 1 dependant	524,016.89	-585,166.59	1045	425	10.82	-33.86	-7.57
1 dependant	302,739.89	-326,010.94	658	224	13.12	-38.32	-7.03
Couple no dependants	131,161.31	-153,289.83	219	114	8.34	-33.21	-8.78
Single person no dependants	586,782.27	-512,553.56	1354	336	9.95	-33.21	-5.80
TOTAL	1,657,990.32	-1,577,885.40	13802	1099	13.12	-38.32	-2.03

Range of differences by scheme

CTR Scheme Name	Weekly Difference	Awards
Passported	-£20 to -£10	1
	-£10 to £0	2
	£0 (no change)	4358
	£0 to £10	1
More than 1 dependant	-£40 to -£30	3
	-£30 to -£20	60
	-£20 to -£10	378
	-£10 to £0	791
	£0 (no change)	164
	£0 to £10	85
1 dependant	£10 to £20	2
	-£40 to £30	1
	-£30 to £20	21
	-£20 to £10	235
	-£10 to £0	455
	£0 (no change)	136
	£0 to £10	40
Couple no dependants	£10 to £20	2
	-£40 to -£30	1
	-£30 to -£20	25
	-£20 to -£10	109
	-£10 to £0	146
	£0 (no change)	23
Single person no dependants	£0 to £10	31
	-£40 to -£30	1
	-£30 to -£20	15
	-£20 to -£10	334
	-£10 to £0	1138
	£0 (no change)	91
	£0 to £10	117

Summary of affected groups

Winners	Losers
<ul style="list-style-type: none"> Income Bands could be beneficial to some individuals. 	<ul style="list-style-type: none"> Disabled (no premiums) Carers (no premiums) War pensioners (no longer have 100% liability as starting point)

	<ul style="list-style-type: none">• 2+ children will lose transitional protection• UC customers generally (Currently those with high amounts of UC receive high amounts of CTR when someone earning that amount would not be eligible to receive the same level of help)• UC customers with Housing Costs; with no consequential changes to scheme housing costs would be counted
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Advantages

- The scheme is cheaper however, recovery costs would likely increase.

Disadvantages

- Although banded is a simplification the range of disregarded, non-dependant deductions still make system complicated and difficult to understand for customer.
- Administrative savings would be minimal
- Including UC housing costs would create an inequality with those on housing benefit. Housing benefit would not be counted as income
- Significant impact on disabled/ carers which could cause issues with our duties under the Equalities Act.
- Bands could create (albeit small) cliff edges e.g. where a customer at the top of an income bands has a small income increase which takes them into the next bands

Model 2 (banded scheme with additional modifications to mitigate the adverse effects of option 1):

- Banded/ grid scheme as in option 1
- UC housing costs disregarded to ensure equivalence with customer receiving HB
- Flat rate household earning disregard (£25 p/w) to encourage work uptake
- Flat rate non-dependant deductions (£5 non-working / £10 working)
- Carers allowance fully disregarded to offset loss of carer premium
- Additional income disregard for disabled customers (£40 p/w) to mitigate loss of premiums

Modelled bands

	Band1	Band2	Band3	Band4	Band5
	65%	55%	45%	35%	20%
>1 dependant	£0 - £219.10	£219.11 - £263.65	£263.66 - £308.20	£308.21 - £352.75	£352.76 - £397.30
1 dependant	£0 - £164.10	£164.11 - £208.65	£208.66 - £253.20	£253.21 - £297.75	£297.76 - £342.30
Couple, no dependants	£0 - £129.10	£129.11 - £173.65	£173.66 - £218.20	£218.21 - £262.75	£262.76 - £307.30
Single, no dependants	£0 - £89.10	£89.11 - £133.65	£133.66 - £178.20	£178.21 - £222.75	£222.76 - £267.30
	Passported in band 1				

Modelled cost is £12,655,989.22

This is £579,886.50 less than modelled cost of current scheme which gives us some breathing space and takes account of data limitations.

Impact

Scheme	Total (p.a.)	Difference (p.a.)	Number of positive awards	Newly zero awards	Max weekly 'gain'	Max weekly 'loss'	Average weekly difference
Pensioner	6,761,896.08	0.45	6164	0	0.00	0.00	0.00
Passported	3,330,131.38	-22,127.43	4358	4	2.45	-12.38	-0.10
More than 1 dependant	851,221.71	-257,961.77	1338	136	12.97	-33.86	-3.34
1 dependant	537,048.62	-91,702.21	854	30	13.89	-23.77	-1.98
Couple no dependants	266,383.77	-18,067.37	324	9	15.10	-20.44	-1.03
Single person no dependants	909,307.67	-190,028.16	1644	46	12.51	-20.44	-2.15
TOTAL	12,655,989.22	-579,886.50	14682	225	15.10	-33.86	-0.74

Range of differences by scheme

CTR Scheme Name	Weekly difference	Awards
Passported	-£20 to -£10	1
	-£10 to £0	263
	£0 (no change)	4070
	£0 to £10	28
More than 1 dependant	-£40 to -£30	2
	-£30 to -£20	21
	-£20 to -£10	137
	-£10 to £0	638
	£0 (no change)	541
	£0 to £10	139
	£10 to £20	5
1 dependant	-£30 to -£20	5
	-£20 to -£10	37
	-£10 to £0	378
	£0 (no change)	372
	£0 to £10	91
	£10 to £20	7
Couple no dependants	-£30 to -£20	1
	-£20 to -£10	9
	-£10 to £0	141
	£0 (no change)	112
	£0 to £10	63
	£10 to £20	9
Single no dependants	-£30 to -£20	1
	-£20 to -£10	60
	-£10 to £0	1100
	£0 (no change)	345
	£0 to £10	185
	£10 to £20	5

Summary of affected groups

Winners	Losers
<ul style="list-style-type: none"> • Bands could be beneficial to some individuals • Some customers with non-dependants with higher rates than proposed flat rates • Some customers will benefit from higher flat rate earnings disregards (particularly those without children) • Carers as fully disregarding carer's allowance is more beneficial than current carer premium 	<ul style="list-style-type: none"> • Some disabled (no premiums); £40 additional disregard may not compensate if had multiple higher rates of disability premiums • 2+ children with transitional protection • UC customers (UC max is no longer applicable amount so customer with large UC award could lose out) but mitigated by excluding housing costs and limited capability for work elements • Modelled flat non-dep deduction are higher than current lowest deductions • Customers with childcare expenditure • Some customers (e.g. lone parents) who already have higher earnings disregard and would lose additional earnings disregard

Advantages

- Scheme is far simpler for customers to know how changes will affect them
- Provides opportunities to reduce avoidable contact, stop sending award letters and provide the information on the bill or through digital channels.
- Administrative savings from fewer changes, increased automation and less evidence required; should also result in quicker processing times.
- Modifications provide mitigation for main affected groups; losers are restricted to individual cases based on circumstances rather than protected groups.

Disadvantages

- Bands could create small cliff edges where a customer at the top of an income bands has a small income increase which takes them into the next band.
- Flat rate non-dep deductions whilst much simpler become less tied to person's circumstances.

Model 3 3 (income bands modified with adjusted % discount points)**Modelled bands**

Discount percent	Single person	Couple with no children or young person	Couple or Lone Parent with one child/young person	Couple or Lone Parent with two or more children/young persons
65%	£0 to £94.99	£0 to £129.99	£0 to £179.99	£0 to £239.99
55%	£95 to £139.99	£130 to £174.99	£180 to £229.99	£240 to £289.99
45%	£140 to £184.99	£175 to £219.99	£230 to £279.99	£290 to £339.99
35%	£185 to £229.99	£220 to £264.99	£280 to £329.99	£340 to £389.99
20%	£230 to £269.99	£265 to £309.99	£330 to £379.99	£390 to £449.99
0%	£270+	£310+	£380+	£450+

Passported in top band

Modelled cost is £12,834,542.90

This is £401,332.82 less than modelled cost of current scheme

Impact

Scheme	Total (p.a.)	Difference (p.a.)	number non zero awards	newly zero awards	max weekly 'gain'	max weekly 'loss'	average weekly diff
Pensioner	6,761,896.08	0.45	6164	0	0.00	0.00	0.00
Passported	3,330,131.38	-22,127.43	4358	4	2.45	-12.38	-0.10
More than 1 dep	941,012.25	-168,171.23	1411	64	13.96	-28.52	-2.17
1 dep	571,154.51	-57,596.32	873	13	13.89	-22.99	-1.24
Couple no deps	267,049.82	-17,401.32	324	9	15.10	-20.44	-1.00
Single person no deps	963,298.86	-136,036.97	1647	43	14.87	-20.44	-1.54
TOTAL	12,834,542.90	-401,332.82	14777	133	15.10	-28.52	-0.52

CTR Scheme Name	Weekly difference	Awards
Passported	-£20 to -£10	1
	-£10 to £0	263
	£0 (no change)	4070
	£0 to £10	28
More than 1 dep	-£30 to -£20	13
	-£20 to -£10	76
	-£10 to £0	616
	£0 (no change)	589
	£0 to £10	171
	£10 to £20	18
1 dep	-£30 to -£20	2
	-£20 to -£10	28
	-£10 to £0	349
	£0 (no change)	394
	£0 to £10	98
	£10 to £20	19
Couple no deps	-£30 to -£20	1
	-£20 to -£10	9
	-£10 to £0	141
	£0 (no change)	110
	£0 to £10	64
	£10 to £20	10
Single no deps	-£30 to -£20	1
	-£20 to -£10	53
	-£10 to £0	776
	£0 (no change)	660
	£0 to £10	199
	£10 to £20	7

Notes

War Pensioners

War pensioners need to be accounted for separately to adhere to the previous 100% liability reduction offered to them. This affects 16 claims.

Data limitations

- Universal credit awards could contain housing costs within the data extract
- Universal credit awards may not capture those with limited capability for work
- Models do not capture cases that are pending assessment
- Universal credit rates could decrease if the temporary uplift is ended.

- Income bands are indicative

All of these limitations could cause an increase in expenditure, so it is prudent to ensure modelling comes below current expenditure so that we do not exceed the budget.