

West Surrey Council Tax Reduction Harmonisation

Modelling and consultation proposal

September 2026 | For decision

Purpose: to support consultation on a defined working-age Council Tax Reduction scheme for West Surrey. The modelling quantifies the principal policy choices and their effects on the current caseload. It is not a final expenditure forecast. Some consultation-draft provisions, including the Minimum Income Floor, Universal Credit change buffer, backdating arrangements, and transitional protection, are not fully represented in the static headline model and will require further consideration before the final scheme is determined.

1. Proposed consultation scheme

The proposal is to consult on a scheme based on modelled Option 4. This draft scheme provides an 85% maximum Council Tax Reduction award, a Council Tax Band D cap, an upper capital limit of £6,000, a conventional means-tested calculation with a 20% excess-income taper, and a flat £10 per week non-dependant deduction. No additional protected-group maximum or minimum award is proposed at this stage.

For consultation, the draft scheme will also propose a self-employed Minimum Income Floor based on 35 hours at the applicable National Minimum Wage following a 12-month start-up period; a Universal Credit change of circumstances buffer; up to three months backdating; no working-age Second Adult Rebate; and no additional local exemptions from the £10 non-dependant deduction.

Time-limited transitional protection is proposed for an objectively defined class of existing claimants experiencing loss as a consequence of structural harmonisation. The working assumption is that this should address structural transition effects, particularly movement from an existing income-banded assessment to a taper-based means test, rather than protect households simply because the new scheme provides a lower percentage of maximum support. Detailed class definitions, duration, erosion and cost will require further modelling, legal assurance and consultation before the final scheme is determined.

All headline modelling in this paper uses existing Council Tax liabilities. Potential future harmonised Council Tax rates are not incorporated into the consultation-stage comparison.

2. Options considered

Options 1 to 4 have deliberately been designed to isolate the effect of the maximum level of support. All four use the same means-tested structure, Band D cap, £6,000 capital limit, 20% taper and £10 weekly non-dependant deduction. Option 5 tests a different scheme architecture through an income-banded approach

Option	Scheme basis	Maximum support	Band cap	Capital limit	Flat NDD	Purpose
1	Means-tested	100%	Band D	£6,000	£10/week	Higher-support comparator
2	Means-tested	95%	Band D	£6,000	£10/week	Tests a 5% minimum contribution
3	Means-tested	90%	Band D	£6,000	£10/week	Tests a 10% minimum contribution
4	Means-tested	85%	Band D	£6,000	£10/week	Proposed core consultation option; 15% minimum contribution
5	Income-banded	100%	Band D	£6,000	£10/week	Alternative banded comparator

Options 1 to 4 provide a direct test of the financial and household impact of reducing maximum support while holding the other principal modelled parameters constant. Option 5 tests whether a harmonised income-banded architecture produces a materially different distribution of support from the taper-based options.

The current West Surrey modelling caseload contains 12,174 working-age households across the six legacy areas. All option comparisons are made against the modelled reproduction of the existing schemes so that the comparison isolates policy change from model-fit differences.

3. Headline modelled impact

The modelled existing schemes provide approximately £19.435 million a year in working-age Council Tax Reduction.

Option	Annual CTR cost	Change v existing	% change	Residual CT billed	Gains	Losses	No change
Existing	£19.435m	—	—	£4.044m	—	—	—
1: 100%	£19.634m	+£0.199m	+1.0%	£3.846m	4,712 (38.7%)	1,653 (13.6%)	5,809 (47.7%)
2: 95%	£18.520m	-£0.916m	-4.7%	£4.960m	3,977 (32.7%)	7,470 (61.4%)	727 (6.0%)
3: 90%	£17.408m	-£2.027m	-10.4%	£6.072m	1,484 (12.2%)	8,194 (67.3%)	2,496 (20.5%)
4: 85%	£16.301m	-£3.134m	-16.1%	£7.179m	1,349 (11.1%)	10,683 (87.8%)	142 (1.2%)
5: income-banded	£16.735m	-£2.701m	-13.9%	£6.745m	2,839 (23.3%)	8,876 (72.9%)	459 (3.8%)

Residual Council Tax is the amount that would be billed after CTR, not a guaranteed cashable saving. Collection performance, arrears, recovery, hardship, write-off and household behaviour determine how much additional liability becomes collected income. Gains and losses in this table are material changes of more than £1 per month; broadly unchanged means within £1 per month.

Reducing the maximum support rate has a material and progressive effect on overall CTR expenditure. Moving from 100% to 95%, 90% and 85% produces successively lower scheme costs and higher residual Council Tax liabilities.

The distributional effect is also substantial. Under Option 4, 10,683 households, 87.8% of the current caseload, receive less CTR than under the modelled existing schemes, while 1,349 households, 11.1%, gain materially.

Option 5 produces a lower annual cost than the 90% means-tested option but a higher cost than the 85% option. Its household distribution is materially different, reflecting the different assessment architecture rather than simply a different maximum-support percentage.

4. Maximum support as a policy lever

Options 1 to 4 allow the maximum award to be examined separately from the other principal modelled rules. The Band D cap, £6,000 capital limit, 20% taper and £10 weekly NDD are held constant.

Maximum support	Annual CTR expenditure	Difference from 100% option	Residual CT billed
100%	£19.634m	—	£3.846m

Maximum support	Annual CTR expenditure	Difference from 100% option	Residual CT billed
95%	£18.520m	-£1.114m	£4.960m
90%	£17.408m	-£2.226m	£6.072m
85%	£16.301m	-£3.333m	£7.179m

The maximum-support parameter therefore accounts for a substantial part of the difference between the higher- and lower-cost means-tested options. For households whose assessed income would otherwise qualify them for the maximum award, an 85% maximum creates a minimum Council Tax contribution before the effect of other scheme rules. A Band D cap, capital restriction, non-dependant deduction or taper can then increase the amount payable further.

5. Option 4 by legacy area

Option 4 applies the same 85% maximum, Band D cap, £6,000 capital limit, 20% taper and £10 weekly non-dependant deduction across West Surrey. The effect is nevertheless very different by legacy area because households are moving from six different starting schemes.

Legacy area	Caseload	Gains	Losses	No change	Annual change v existing
Guildford	1,750	13 (0.7%)	1,733 (99.0%)	4 (0.2%)	-£471k
Runnymede	1,993	512 (25.7%)	1,428 (71.7%)	53 (2.7%)	-£255k
Spelthorne	2,545	591 (23.2%)	1,919 (75.4%)	35 (1.4%)	-£386k
Surrey Heath	1,409	226 (16.0%)	1,154 (81.9%)	29 (2.1%)	-£446k
Waverley	2,265	1 (<0.1%)	2,243 (99.0%)	21 (0.9%)	-£656k
Woking	2,212	6 (0.3%)	2,206 (99.7%)	0	-£921k
West Surrey	12,174	1,349 (11.1%)	10,683 (87.8%)	142 (1.2%)	-£3.134m

The 85% maximum produces a broad reduction in support across the footprint, but legacy design still shapes the distribution. Runnymede and Spelthorne retain substantial groups of gainers because the common means test changes assessment as well as the headline maximum. In Guildford, Waverley and Woking, almost the entire current caseload sees a reduction in levels of support.

6. Distribution of gains and losses under Option 4

The headline loss is not confined to one household type or work status. The tables below show the whole cohort in each category, followed by the number and share gaining or losing CTR.

Household type	Caseload	Gains	Losses	No change
Single adult	6,304	564 (8.9%)	5,721 (90.8%)	19 (0.3%)

Household type	Caseload	Gains	Losses	No change
Single parent	3,992	600 (15.0%)	3,346 (83.8%)	46 (1.2%)
Couple	860	61 (7.1%)	734 (85.3%)	65 (7.6%)
Couple with children	1,018	124 (12.2%)	882 (86.6%)	12 (1.2%)

Work status:

Work status	Caseload	Gains	Losses	No change
In work	3,262	236 (7.2%)	2,955 (90.6%)	71 (2.2%)
Out of work	8,912	1,113 (12.5%)	7,728 (86.7%)	71 (0.8%)

Disability:

Recorded household marker	Caseload	Gains	Losses	No change
Adult disability	2,412	36 (1.5%)	2,367 (98.1%)	9 (0.4%)
Adult + child disability	299	2 (0.7%)	297 (99.3%)	0
Child disability	177	5 (2.8%)	172 (97.2%)	0
No disability marker	9,286	1,306 (14.1%)	7,847 (84.5%)	133 (1.4%)

The disability marker is derived from legacy premium indicators and is not a complete measure of disability across the caseload. It should therefore be used as one part of the equality evidence rather than treated as a complete count of disabled households.

7. Where Option 4 losses come from

Option 4 combines several separate policy changes. They should be distinguished because they have different policy, equality, collection and transitional implications. The estimates below are analytical decompositions and overlap; they must not be added together. The average (median) household experiencing a material loss under Option 4 loses around £24 per month, or £258 per year, in Council Tax Reduction.

Mechanism	Current modelled evidence	Indicative annual effect
85% maximum support	Compared with Option 1, which has the same rules but a 100% maximum, 11,822 households receive >£1/month less.	Approx. £3.333m lower CTR a year
Band D cap	Around 785 Band E-H households are materially affected after isolating the cap from capital.	Approx. £382k a year gross effect
£6,000 capital limit	157 existing recipients hold £6k-£16k; 149 lose all entitlement under Option 4.	Approx. £233k of existing annual award removed for the 149 cases
£10/week NDD	839 households have an NDD increase of >£1/month; 811 are material losers overall.	Approx. £393k a year additional deductions versus existing
Banded-to-taper transition	After isolating Band D, capital and NDD effects, 590 material losses remain within the legacy banded-to-taper transition.	Approx. £315k a year if those isolated losses were fully protected in year one

Scale of losses:

Monthly reduction in CTR	Households
£1-£25 a month	7,804 (64.2%)
£25-£50 a month	1,676 (13.8%)
£50-£75 a month	538 (4.4%)
£75-£100 a month	338 (2.8%)
More than £100 a month	327 (2.7%)

A total of 2,879 (23.7%) households lose more than £25 a month and 1,203 (9.9%) lose more than £50 a month. The model also identifies 364 (2.9%) existing recipients whose awards fall to zero.

Residual Council Tax and collection sensitivity

	Residual CT billed	Illustrative 85% collected	Illustrative 15% uncollected
Existing schemes	£4.044m	£3.438m	£0.607m
Option 4 totals	£7.179m	£6.102m	£1.077m
Additional liability from Option 4	£3.134m	£2.664m	£0.470m

Illustrative minimum Council Tax liability under Option 4

Based on the simple average of current 2026/27 Band D Council Tax across the six West Surrey legacy areas (£2,559.13). This table is an illustration of the 85% maximum award and Band D cap using existing rates, not a proposed 2027/28 harmonised Council Tax schedule.

Council Tax band	Illustrative current annual CT	Maximum CTR under Option 4	Minimum annual CT bill	Effective minimum share of full bill	Current CTR caseload
A	£1,706.09	£1,450.18	£255.91	15.0%	361
B	£1,990.44	£1,691.87	£298.57	15.0%	2,247
C	£2,274.79	£1,933.57	£341.22	15.0%	5,199
D	£2,559.13	£2,175.26	£383.87	15.0%	3,536
E	£3,127.83	£2,175.26	£952.57	30.5%	681
F	£3,696.53	£2,175.26	£1,521.26	41.2%	91
G	£4,265.22	£2,175.26	£2,089.96	49.0%	53
H	£5,118.27	£2,175.26	£2,943.00	57.5%	6

Interpretation. For Bands A-D, the minimum liability is 15% of the illustrative current Council Tax charge. For Bands E-H, CTR is capped at 85% of the Band D amount, so the household retains both the 15% Band D contribution and the full difference between its actual band and Band D. Actual bills vary within legacy areas, including because of parish and local precepts.

The £3.134m reduction in CTR expenditure is not the same as £3.134m of additional cash collection. At an illustrative 85% collection rate, the additional residual liability would yield about £2.664m, with about £470k remaining uncollected. This is a sensitivity illustration, not a collection forecast.

8. Transitional protection: structural harmonisation

Transitional protection should be distinguished from a general mitigation of the 85% maximum. If the Council chooses an 85% scheme, protecting households because they are required to make the 15% contribution would substantially reverse the core policy choice.

A more clearly defined potential class of persons is existing claimants whose current award is determined through a legacy banded or non-taper assessment and who move into the common taper-based means test. That class can be defined by the nature of the existing assessment route rather than by the fact or amount of an individual loss.

Legacy area	Existing banded/non-taper class	Material losses under 100% common design	Structural-only losses after isolating cap/capital/NDD
Runnymede	1,917	247	198
Surrey Heath	1,396	475	392
Potential class total	3,313	722	590

The 590 structural-only losses have an indicative first-year value of about £315,000 if fully protected. That figure is useful for scale but should not itself define eligibility. The final protection class, duration and erosion method require legal assurance and should be framed in the scheme by objective characteristics or transition status, not simply by selecting individual losers from the model.

Working proposition for consultation: time-limited protection may be provided to an objectively defined class of existing claimants moving from a legacy banded/non-taper assessment into the common taper-based means test.

The final class definition and protection formula will be determined after consultation, refreshed modelling and legal assurance.

9. Option 5 and non-dependant deduction sensitivity

9.1 Option 5: income-banded comparator

Option 5 tests a different assessment architecture rather than another change to the maximum percentage. It produces annual CTR expenditure of around £16.735m, a reduction of £2.701m (13.9%) against modelled existing expenditure. Residual Council Tax is approximately £6.745m. Option 5 produces 2,839 material gainers (23.3%), 8,876 material losses (72.9%) and 459 households broadly unchanged (3.8%).

	Annual CTR cost	Change v existing	Gains	Losses	No change
Option 4: 85% taper	£16.301m	-16.1%	1,349 (11.1%)	10,683 (87.8%)	142 (1.2%)
Option 5: income-banded	£16.735m	-13.9%	2,839 (23.3%)	8,876 (72.9%)	459 (3.8%)

The banded comparator therefore has a different distribution of winners and losers even though its overall cost remains materially below the existing schemes. This reflects the step-based award structure rather than a simple change in the maximum percentage.

10. Additional draft provisions not fully reflected in Option 4

Provision	Consultation-stage position
Minimum Income Floor	Proposed: 35 hours at the applicable National Minimum Wage after a 12-month start-up period.
Universal Credit change buffer	Primarily affects timing and frequency of reassessment, revised bills and customer contact rather than a modelled cost.
Backdating	Up to three months where qualifying conditions are met. Primarily affects new or late claims rather than the current snapshot.
Second Adult Rebate	No separate working-age Second Adult Rebate is proposed. Any identifiable current cases will be impact-tested before final approval.
NDD exemptions	No additional local protections are included in the consultation draft at this stage.
Minimum award	No minimum CTR award is proposed for West Surrey.
Transitional protection	Not included in headline Option 4 cost. Proposed only for an objectively defined structural transition class, subject to consultation, legal assurance and refreshed modelling.
Council Tax rates	All consultation-stage option modelling uses existing Council Tax liabilities. Potential future harmonised Council Tax rates are deliberately excluded.

11. Proposed interpretation and consultation proposition

- a) Option 4 is the proposed draft scheme for consultation: 85% maximum support, Band D cap, £6,000 capital cliff edge, 20% taper and a £10 weekly flat NDD.
- b) Options 1 to 4 isolate the maximum-support decision. Moving from 100% to 85% lowers modelled CTR expenditure by £3.333m a year when the other principal modelled parameters are held constant.
- c) The 85% maximum is the dominant cost lever in Option 4. The Band D cap, capital limit and NDD create additional concentrated effects and are presented transparently as separate policy choices.
- d) Option 4 produces material losses for 10,683 households (87.8% of the current caseload). The consultation and EIA should therefore examine affordability, equality, collection and hardship implications as well as the gross reduction in CTR expenditure.
- e) Transitional protection should address an objectively defined structural transition class rather than function as a general rebate of the 15% minimum contribution.
- f) Option 5 remains a useful alternative architecture for consultation-stage comparison because it produces a different distribution of gains and losses at a broadly similar lower-cost scale.

12. Caveats and next steps

- a) The model is a static snapshot of current working-age CTR claimants. It does not forecast take-up, future claims, caseload churn or households currently outside the caseload who may become eligible.
- b) Annual figures are annualised from current monthly awards and are policy-impact estimates rather than audited expenditure forecasts.
- c) Residual Council Tax is billed liability, not guaranteed collection. The 85% collection illustration is a sensitivity assumption only.
- d) The current disability measure is derived largely from legacy premium markers and is not a complete measure of disability. Equality conclusions must use the wider EIA evidence and consultation responses.
- e) Mechanism estimates overlap and should not be added together. They are intended to show which policy rules are capable of driving changes in award.
- f) The MIF, UC change buffer, backdating, Second Adult Rebate removal and final transitional-protection rules are not fully represented in the static headline model and require further testing where data allow.
- g) Before final approval, the selected scheme should be rerun using the final policy specification, supported by a completed Equality Impact Assessment, consultation findings, legal and operational assurance, and collection/Collection Fund implications.
- h) Potential future harmonised Council Tax rates are outside this consultation-stage modelling comparison and should not be inferred from the figures in this paper.

The decision at this stage is whether to consult on a sufficiently defined draft working-age scheme. It is not the final determination of the 2027/28 scheme. The final policy may change in response to consultation, equality evidence, refreshed modelling, affordability, collection and implementation evidence.