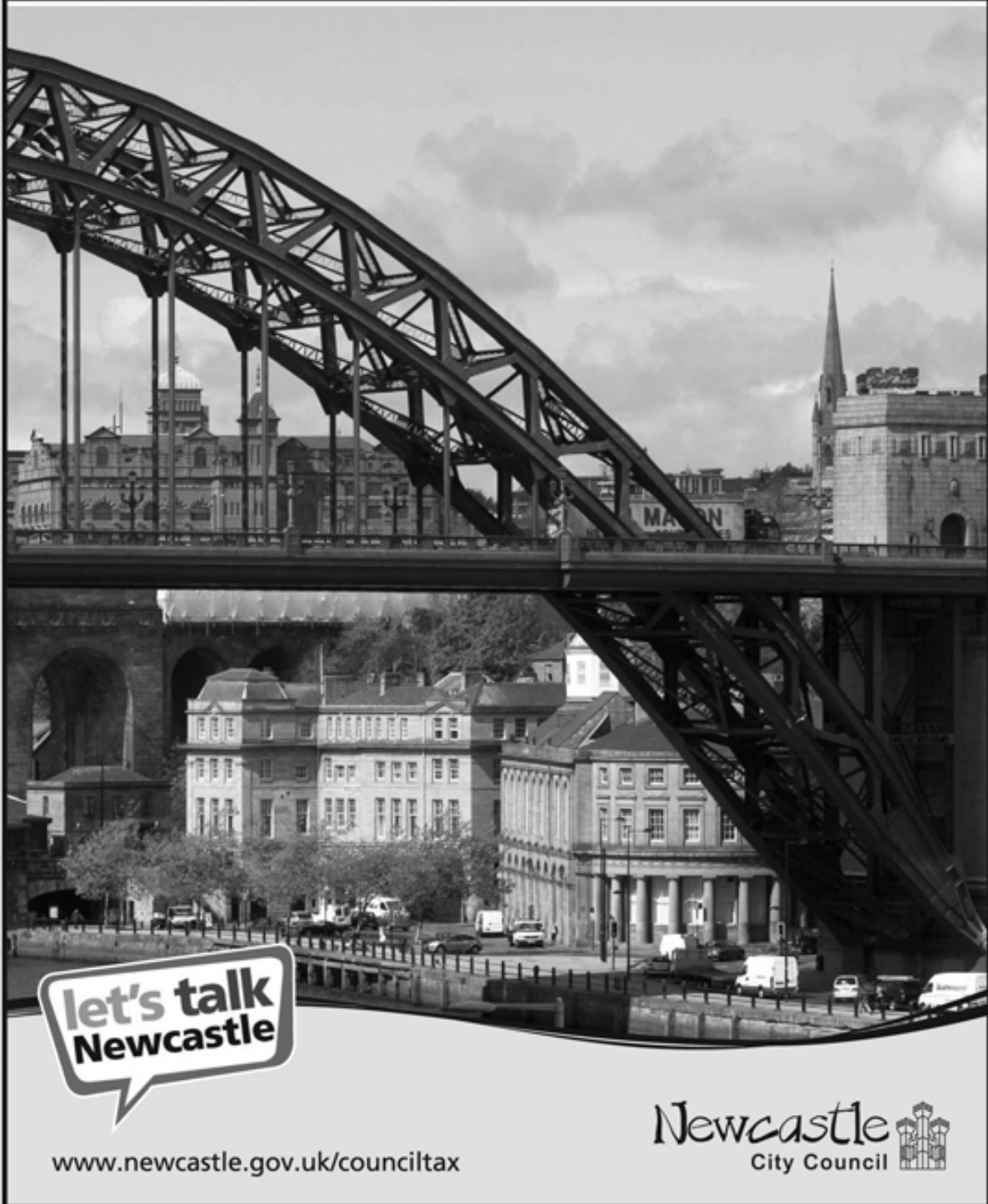


Council Tax Reduction Scheme 2018

Summary document



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Newcastle
City Council 

Introduction

We propose to change our Council Tax Reduction scheme from 1 April 2018. This information is being provided to help people who are affected understand what we are suggesting, so that they can give us their views on what we propose.

Background

In April 2013 the Government abolished Council Tax Benefit and councils were required to design local Council Tax Reduction Schemes, with cuts in funding of about 10%. The cut in our funding for Newcastle over the past five years is over £14 million and much larger than originally predicted.

In response to these cuts, the Council introduced a Council Tax Reduction Scheme where most people paid 20% towards their council tax before receiving a reduction. In 2013/14, to mitigate some of the impact on our residents, we accepted the transitional funding made available from the Government. This meant that, in the first year only, this contribution was reduced to 8.5%.

In 2016/17, following a review of our scheme to take into consideration council tax arrears figures and the impact of wider welfare reform changes on our residents, the Council revised its scheme. The revised scheme came into effect on 1 April 2016, meaning that all working-age people received maximum support on 85% of their council tax liability. In practice this means that they pay 15% of their council tax before they receive a reduction.

We are unable to change the way in which we award Council Tax Reduction to pension-aged people, as this has been prescribed by the Government and is not affected by any of the options set out in this consultation. However, we still have to fund the pension-age scheme from our grant.

Key features of our current Council Tax Reduction Scheme

Our current Council Tax Reduction scheme for **working-age residents** can be summarised as:

- All working-age people receive **maximum support on 85%** of their Council Tax liability. This means that all working-age people pay a minimum of 15% of their Council Tax.
- Entitlement to support and the amount of reduction received is subject to a means test and capital limit.
- The **capital limit is £16,000**, meaning that people with capital (e.g. savings) of £16,000 or more are not entitled to a Council Tax Reduction.
- The means test is basically a comparison of the net income of a claimant (minus any disregarded income) and a deemed living allowance known as the applicable amount. Every time there is a change in a claimant's income (no matter how small), a new CTR assessment must be carried out.
- Income from **Disability Living Allowances, Personal Independence Payments and Armed Forces Independence Payments** is disregarded when calculating Council Tax Reduction, as is **Child Benefit, Child Maintenance, and War Disablement Benefits.**
- To support incentives to work there is an earnings disregard of £7.50 for single people, £12.50 for couples and £27.50 for lone parents. (This is the amount of earnings not taken into account in the calculating net earnings)

- To support incentives to work for those working over 16 hours, a weekly childcare disregard will be applied to earnings of up to £175.00 for one child and £300 for two or more.
- **Universal Credit.** Where the Universal Credit payment is worked out based on wages, we will take these wages into account after deducting the relevant earnings disregard. We will then add them to the Universal Credit payment to work out what band to use to calculate the Council Tax Reduction. (This means we will calculate the wages element in the same way as wages from someone not in receipt of Universal Credit, when calculating council tax reduction).
- **Non-dependant deductions** range between £0 and £11.55 per non-dependant depending on their income. (This is where you have someone else living in your home who is not dependent on you, and who may be able to contribute to your council tax).
- Backdating of Council Tax Reduction applications is restricted to four weeks.
- An extended payment is awarded for up to four weeks if a person starts work or increases their hours, and they stop getting certain income benefits.
- Payment of **Council Tax Reduction** will only be made if it is **over £1** per week.

Consultation

We have reviewed our current scheme, and having taken into consideration council tax arrears figures and the impact of wider welfare reform changes on our residents, we are proposing to change our Council Tax Reduction scheme from 1 April 2018. This consultation sets out some proposals for changes to the scheme for 2018/19. We need your views on the proposals to help us make final decisions.

Options

There are two options being considered: As a quick summary:

Option 1 is to retain our current means-tested scheme (described above).

Option 2 is to change the scheme to an income-banded scheme which is simpler to administer and easier for customers to understand, as well as offering more support to lower-income families and giving more stability to people whose wages fluctuate each month. This scheme moves away from the complex means test that currently exists in our Council Tax Reduction scheme. Under this option we are also considering making changes to non-dependant deductions, capital limits and backdating periods. The proposed changes are explained in greater detail below.

Our preferred option is Option 2.

Option 1

This is our current scheme where all working-age people receive **maximum support on 85%** of their council tax liability, meaning that they pay 15% of their council tax before they are entitled to Council Tax Reduction. Under this option there will be no changes to the main principles of the existing scheme; only small adjustments to incorporate changes prescribed by government and to define in more detail how the income from Universal Credit will be assessed.

The benefits of Option 1 are:

- It is the same scheme as currently used so working-age people will see no change in the way their entitlement is calculated.
- It is fair because everyone has to pay the same minimum amount of council tax before they receive council tax reduction.

The drawback of doing this is:

- It is a complex means test which can lead to multiple changes each year to a person's council tax instalments where their income changes regularly.

Option 2

Under Option 2 we are considering making a number of changes to the Council Tax Reduction Scheme from 1 April 2018.

• Introduction of income bands with changes to maximum level of support

This is an **income-banded scheme** which will assess the maximum level of Council Tax Reduction based on the net income of the applicant and their partner if they have one, as well as any children.

Where the applicant (or their partner) is in receipt of one of the following passported benefits:

- **Income Support**
- **Jobseeker's Allowance (income-based)**
- **Employment and Support Allowance (income-related);**

They would automatically be placed in the top band of the scheme.

Under this scheme, as part of our ongoing commitment to support disabled people, we will continue to disregard **Disability Living Allowance, Personal Independence Payments, Armed Forces Independence Payments and War Disablement Benefits** for the income used in the assessment of Council Tax Reduction and we will also continue to disregard **Child Benefit and Child maintenance payments**.

Working-age households would receive a discount, **depending on their level of income**. This means we would look at your net income after disregarding the above mentioned benefits and decide what band your income falls into. You would be awarded a percentage level of Council Tax Reduction in line with the table below. We would allow extra income in each band for couples and those applicants with children.

The income bands are set out as shown in the table below:

CTR Level	Passported	Single Income Band £	Couples' Income Band £	Family with 1 child £	Family with 2 or more children
Band A - 90%	Relevant Benefit	0.00 to 110.00	0.00 to 160.00	0.00 to 210.00	0.00 to 260.00
Band B - 85%	N/A	110.01 to 150.00	160.01 to 200.00	210.01 to 250.00	260.01 to 300.00
Band C - 50%	N/A	150.01 to 230.00	200.01 to 270.00	250.01 to 330.00	300.01 to 370.00
Band D - 25%	N/A	230.01 to 300.00	270.01 to 350.00	330.01 to 400.00	370.01 to 450.00

• Changes to Non-Dependent Charges

Under our current scheme, a non-dependant charge of between £0 and £11.55 will be applied for each non-dependant adult living with you – the amount will be dependent on their income. We are considering replacing this with a simple flat rate charge of £2.50 per week for each non-dependant.

- **Reduction of the Capital Limit**

Under our current scheme, the capital limit is set at £16,000. We are considering reducing this to £6,000, meaning that persons with capital (e.g. savings) of £6,000 or more will not be entitled to Council Tax Reduction.

- **Increase of backdating periods**

Under our current scheme, claims for Council Tax Reductions can only be backdated 4 weeks. We are proposing to extend this to 6 months where good cause is shown. This is so applicants who may have experienced delays in claiming other welfare benefits are not placed into financial difficulty, where there was a valid reason for the delay.

In summary, under Option 2:

- Working-age people will receive a % **discount of either 90%, 85%, 50% or 25%**, depending on the level of their income and the income band they fall into.
- Anyone with **savings of £6,000** or more will not qualify.
- Those receiving **Income Support, Jobseeker's Allowance (income-based) Employment Support Allowance (income-related)** will automatically be placed into Band A (i.e. 90% reduction)
- Net earnings will be taken into account when calculating Council Tax Reduction.
- Application for Council Tax Reduction will be made online or through the notification of an award of Income Support, Jobseekers Allowance (income-based), Employment and Support Allowance (income-related) and Universal Credit.
- Income from **Disability Living Allowance, Personal Independence Payments, Armed Forces Independence Payments, Child Benefit, Child Maintenance, and War Disablement Benefits** will continue to be disregarded when calculating Council Tax Reduction.
- To support incentives to work, we will retain the earnings disregard of £7.50 for single people, £12.50 for couples and £27.50 for lone parents, this is the amount of earnings not taken into account.
- To support incentives to work for those working over 16 hours, we will retain a weekly childcare disregard which will be applied to earnings of up to £175.00 for one child and £300 for two or more. (A disregard is an amount of earnings not taken into account in the calculation of net earnings).
- **Universal Credit** - Where the Universal Credit payment is worked out based on wages, we still will take these wages into account after deducting the relevant earnings disregard. We will then add them to the Universal Credit payment to work out what band to use to calculate the Council Tax Reduction.
- Deductions taken from Universal Credit by the Department of Work and Pensions (DWP) will not be removed.
- The housing cost element of Universal Credit will be ignored.
- Applications from joint tenants will be assessed on their share of the liability.
- **Non-dependant deductions.** A flat rate charge of £2.50 per week will be applied for each non-dependant member of the household. (This is where you have someone else living in your home who is not dependent on you, and who may be able to contribute to your council tax).
- Backdating is limited to 6 months and assessed on whether there is good cause to do this.
- Payment of Council Tax Reduction would still only be made if it is over £1 per week.

The benefits of Option 2 this are:

- Gives stability to those whose wages fluctuate each month. Working-age people with the lowest income will receive more Council Tax Reduction if their income falls into Band A.
- All non-dependents are asked to contribute the same amount. Some applicants may have to pay less.
- Moves away from the complex means test that currently exists.
- It is administratively simpler and will potentially make administrative savings.
- Less complex and easier for applicants to understand.

The drawback of doing this is:

- Where a working-age person has £6,000 or more in savings, no Council Tax Reduction will be payable.
- Non-dependant charges on the current scheme can range between £0.00 and £11.55 based on their individual circumstances, by introducing a flat rate of £2.50 for all non-dependants some people may have to pay more.
- Some applicants with an income over £450.00 per week will no longer qualify for Council Tax Reduction and will be responsible for paying their full council tax liability.

Pension-age people are not affected by this change, and they will continue to have council tax reduction assessed in the same way through the government's Council Tax Reduction default scheme.

What the proposals will mean for you

Here are some examples of what this would mean for people in different situations. The table below shows the differences and similarities between option 1 and option 2

	Option 1	Option 2
Type of scheme	Means tested scheme	Income banded scheme
Maximum support for those on lowest income	85%	90%
Capital limit	£16,000	£6,000
Non-dependant deductions	Between £0.00 and £11.55 based on level of income	A flat rate of £2.50 applied to all non-dependants
Income not taken into account (disregarded)	Disability Living Allowance, Personal Independence Payments, Armed Forces Independence Payments, Child Benefit, Child Maintenance, and War Disablement Benefits	Disability Living Allowance, Personal Independence Payments, Armed Forces Independence Payments, Child Benefit, Child Maintenance, and War Disablement Benefits

Amount of earnings not taken into account	£7.50 for single people, £12.50 for couples and £27.50 for lone parents	£7.50 for single people, £12.50 for couples and £27.50 for lone parents
Childcare disregard	Up to £175 for one child, up to £300 for two or more children	Up to £175 for one child, up to £300 for two or more children
Backdating	Up to 4 weeks	Up to 6 months
Universal Credit	Where the Universal Credit payment is worked out based on wages, we will take these wages into account after deducting the relevant earnings disregard. Deductions taken from Universal Credit by the Department of Work and Pensions (DWP) will not be removed. The housing cost element of Universal Credit will be ignored.	Where the Universal Credit payment is worked out based on wages, we will take these wages into account after deducting the relevant earnings disregard. Deductions taken from Universal Credit by the Department of Work and Pensions (DWP) will not be removed. The housing cost element of Universal Credit will be ignored.
Minimum Council Tax Reduction payable	£1.00	£1.00

People receiving Council Tax Reduction

All working-age people receiving Council Tax Reduction, who are currently liable to pay council tax, could be affected following the outcome of the consultation. Depending which option is approved, we will either continue to work out entitlement to Council Tax Reduction based on 85% of your council tax liability, or you will have your Council Tax Reduction assessed in line with the income banded scheme.

This means that the minimum amount of council tax you will have to pay before receiving reduction would remain at 15% on Option 1, and would be 10% of the council tax on Option 2 if your net income is placed band A.

Applicants whose net income is placed in the net income figures for the income bands for B to D may have to pay more council tax under option 2 than they would under option 1.

Some applicants with an income over £450.00 per week will no longer qualify for Council Tax Reduction and will be responsible for paying their full council tax liability

People receiving Child Benefit and / or child maintenance

Families will continue to have their Child Benefit and child maintenance disregarded when we work out the entitlement to Council Tax Reduction. This means we will ignore Child Benefit and child maintenance when we calculate your Council Tax Reduction.

People receiving Disability Living Allowance or Personal Independence Payments or Armed Forces Independence Payments

Disability Living Allowance (for both the care and mobility components), Personal Independence Payments or Armed Forces Independence Payments will continue to be disregarded in full for all working-age applicants, partners and their children.

This means we will ignore Disability Living Allowance, Personal Independence Payments or Armed Forces Independence Payments when we calculate your Council Tax Reduction.

People receiving War Pensions

Applicants and their partners who receive War Disablement Pension, War Widow's Pension and War Widower's Pension will continue to have this income disregarded in full.

This means we will ignore War Disablement Pension, War Widows Pension and War Widowers Pension when we calculate your Council Tax Reduction.

Non-dependants

A non-dependant deduction is made from Council Tax Reduction when a person over the age of 18 lives in your household. Under option 1 a non-dependant charge of between £0 and £11.55 per non-dependant is applied. Under option 2 we will apply a flat rate of £2.50 per week for each non-dependant in the household.

Supporting work incentives

We want our Council Tax Reduction scheme to provide incentives for people who are either moving into work or increasing their working hours to 16 hours or more. We will continue to do this by keeping the higher earnings disregard that we introduced in 2013 of £7.50 for single people, £12.50 for couples and £27.50 for lone parents, this is the amount of earnings not taken into account.

Backdating claims

We are proposing to change the time that you have to apply for your Council Tax Reduction to be backdated from four weeks to six months, where a good cause is shown.

Maintaining a Discretionary Hardship Scheme

The Council is minded that if the proposed changes were introduced it may lead to hardship for some residents and that there would be a need to protect the most vulnerable households through the discretionary hardship scheme.

Other alternatives which we have considered

- **Retaining our current scheme and increasing the level of support for all working-age people**

If we decided to do this it would make the scheme much more costly and additional funding would need to be found from the council's budget, for example by increasing council tax generally or reducing services in other areas

- **Retaining our current scheme and decreasing the level of support for all working-age people**

If we decided to do this it would mean that all working-age applicants would have to pay more and this could potentially lead to an increase in council tax arrears.

Have your say

It is very important that we get your views on our proposed scheme. You can do this by filling our online survey at: <https://letstalknewcastle.co.uk>

You can also email us at: letstalk@newcastle.gov.uk to give us your views. If you cannot take part in an online consultation or you need this information in a different format (such as large print), we can provide you with a paper copy of the survey to fill in. Please call **0191 277 7644** to arrange this.

Please tell us your views before **13 December 2017**.

We will make a decision about which option to use in **January 2018**. We will inform people about our decision on our website at: **www.newcastle.gov.uk**

Thank you for taking part in our consultation.