



Draft Council Tax Reduction Scheme

This document is a draft Council Tax support scheme known as Council Tax Reduction for Cambridge City Council and is subject to –

- Central Government final grant settlement,
- The Local Government Finance Bill receiving Royal Assent and subsequent secondary legislation,
- the Welfare Reform Act, 2012, and
- the outcome of consultation, the period for which ends on 31 October 2012.

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1. Introduction

Help with paying Council Tax is currently paid in the form of Council Tax Benefit, which is a national means-tested Social Security Benefit administered by local Councils for people on low incomes. Council Tax Benefit may be paid to a person who pays Council Tax and has income and capital (savings and investments) below a certain level.

From 1 April 2013, Central Government is abolishing Council Tax Benefit and requiring local Councils to introduce a localised Council Tax Support system in the form of a Council Tax Reduction. Council Tax Support for pensioners will be prescribed by Government and protected at the current level of support so the Council is required only to design a local scheme for people of working age.

It is the duty of each Council in England to have such a local scheme in place by 31 January 2013.

The Government is reducing the grant paid to Councils for Council Tax Support by at least 10% of the sum currently paid for Council Tax Benefit. This means Cambridge City Council will have a predicted £0.75 million less money available for Council Tax Support for people of working age than it had for Council Tax Benefit.

The scheme is only applicable to working age households as low-income pensioners are protected and will not see any changes in their assessments as a result of the new scheme.

This means that the Government will still set entitlements for pensioners in England and support will be maintained at their existing level under the current council tax benefit scheme. It is only people of working age whose benefit can be affected by this change.

The Government will not make actual figures available until November 2012, so the reduction in the grant available to Cambridge City Council could be considerably more.

The Council Tax Reduction scheme is designed to –

- comply fully with prescribed regulations,
- protect the most vulnerable,
- be predictable and transparent,
- support the wider objectives of welfare reform, and
- allow customers to see the financial implications of entering work or increasing their hours.

2. Transitional provisions

Cambridge City Council will –

- provide clear and accessible information to all residents affected by the ending of Council Tax Benefit,
- ensure people affected can access additional advice and support, and
- allow people currently receiving Council Tax Benefit to transfer to the new scheme without having to reapply to the Council, unless their circumstances change.

3. Impact on particular groups of people

3.1 Working Age

The Council is required by the Government to design a local Council Tax Reduction scheme for people of working age, albeit with certain limitations prescribed by regulations set by Central Government.

This draft Council Tax Reduction scheme sets out the rules for people of working age, i.e. those who have not yet reached the age to qualify for State Pension Credit.

We need to have an agreed scheme in place by January 2013 and are consulting on our draft proposals.

3.2 Working Age - Work Incentives

The Government has said it does not intend to prescribe by regulation how local Councils provide for work incentives in their Council Tax Support scheme. It is for each local Council to decide how best to provide work incentives for their individual communities.

Cambridge City Council intends to adopt the current method of allowing an additional four weeks of maximum Council Tax Benefit for people who go into work by allowing under the new Council Tax Reduction scheme an additional four weeks of maximum Council Tax Reduction.

3.3 Working Age – Vulnerable

The Government has said it does not intend to prescribe by regulation which class of person(s) is to be deemed as vulnerable. This is for the Council to decide, having regard to its duties under the Acts referred to below. We shall pay due regard to -

- Equality Act 2010, public sector equality duties with regard to –

age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex or sexual orientation,

- Child Poverty Act 2010, the duty to mitigate the effects of child poverty,
- Housing Act 1996, the duty to prevent homelessness, and
- Armed Forces Covenant, to recognise what our Armed Forces do for society, especially those that have been injured or bereaved.

Cambridge City Council has proposed that the following classes of persons will be deemed as vulnerable for the purpose of a Council Tax Reduction:

- Families with dependant children,
- Young persons aged 18 to 24 who have a history of social care,
- Households where a member is entitled to a disability benefit,
- Persons registered blind, and
- Carers who care for a family member.

3.4 Pensioners

The Government has said that Councils must protect pensioners at the current level of support and will prescribe a national scheme for pensioners that mirrors Council Tax Benefit.

To be considered for the national scheme for pensioners, both members of a couple must have reached the age to qualify for State Pension Credit.

3.5 Persons from Abroad

Regulations prescribe that the same restrictions will apply to a person from abroad that currently exists under the Council Tax Benefit scheme. Therefore certain foreign nationals that are excluded from receiving a Council Tax Benefit will also be ineligible to apply for a Council Tax Reduction.

3.6 Refugees

Persons that have recognised refugee status, humanitarian protection, discretionary leave or exceptional leave to remain in the country outside of the immigration rules and who are exempt from the habitual residence test, will be entitled to apply for a Council Tax Reduction, as long as their status has not been revoked.

4. Cambridge City Council's proposals

We need to have a scheme in place by January 2013 and are consulting on our draft proposals.

There are a number of constraints on what the Council can do and, after modelling the likely effects on residents of various options, we have identified a proposed scheme for Cambridge City Council.

Cambridge City Council is committed to minimising the effects of reduced Central Government funding on the City's households and to keep the switch as simple as possible. Our preferred option does, we believe, achieve these aims. The proposed scheme distributes the funds available as widely as possible, and will mean people who are less well off will pay the least.

The Government is making some reforms to Council Tax from 2013-14 that it says may compensate for the loss of Government grants in respect of Council Tax Support.

It is the Council's clear intention to protect as many people as possible from reduced levels of Council Tax Support. To minimise the effects the Council plans to raise additional income from other Council Tax Reforms as it is anticipated that in implementing these reforms it will compensate for much of the loss of Government grants for Council Tax Support.

These reforms are -

- to allow the Council to charge up to 100% Council Tax on second homes, currently charged at 90%,
- to abolish class A exemption for empty dwellings under repair and class C exemptions for vacant dwellings and to allow Councils to instead set a discount, the value of which is up to the discretion of the Council and can be between 0% and 100%,
- to allow the Council to set a period of discount in respect of vacant dwelling between 0 and 6 months, and
- to allow the option to levy an empty homes premium of up to 50% where a dwelling has been empty for at least two years. This means the maximum Council Tax could be up to 150% for long-term empty dwellings.

The following proposed draft scheme seeks to both simplify the existing rules and regulations and contribute towards the reduction in Government funding for Council Tax Support.

5. Cambridge City Council's proposed draft scheme

The draft scheme for people of working age proposes that Council Tax Support is calculated as a means-tested reduction as defined by the [draft] Council Tax Reduction Schemes (Default Scheme) Regulations, subject to the following amendments:

1. Second Adult Rebate

Second Adult Rebate is a type of Council Tax Benefit that can help with the payment of Council Tax. It is not based on the money that the person liable for Council Tax has, but on the money that other people who live in the household have, where the other people are on a low income.

Under the current scheme, Second Adult Rebate is a rebate of up to 25%, based on the income of a second adult living in the household. The income and capital of the Council Tax payer is ignored regardless of how much income and capital they possess.

Second Adult Rebate will not form part of the new local scheme.

2. Backdated claims

In all cases, the date of claim for a reduction will be the date that an application is treated as being received by Cambridge City Council at an authorised office.

The start date of entitlement is the Monday following the application.

This means that Council Tax Reduction shall not be awarded for any period before which the Council receives an application.

Under the current Council Tax Benefit scheme, a person of working age may be granted benefit for a period of up to six months prior to making a claim. This is known as "backdating" and could be awarded if good reasons why a person was unable to claim earlier could be shown.

Backdated awards will not form part of the new local scheme.

3. Non Dependants (Other people living in the household)

People who normally share the Council Tax payer's accommodation, but who are not dependent on them for financial support, are known as non-dependants. A non-dependant could be an adult son, daughter, relative or friend.

Non-dependants are expected to pay something towards Council Tax and currently an amount is taken from the Council Tax payer's Council Tax Benefit. The amount that is deducted depends upon the non-dependant's age and income.

These deductions are fixed sums and are based on the non-dependant's gross weekly income.

Cambridge City Council proposes to change the value of a non-dependant deduction; these are shown in the Non-dependant deductions document.

The value of the non-dependant deductions will be reviewed annually in line with Consumer Price Index.

4. Overpayments of Council Tax Reduction

An overpayment is an amount of Council Tax Benefit that has been awarded to which a person was not entitled.

Overpayments of Council Tax reduction shall be debited to and recovered through a person's Council Tax account, regardless of the reason for the overpayment. Currently 'underlying entitlement' calculations can reduce the value of a Council Tax Benefit overpayment where it becomes known that more benefit could have been awarded

during the overpayment period had the Council known about the person's circumstances at the time. For example, it may occur where a new partner is not declared. If the partner were on a low income, the claimant would still have been entitled to some award.

Under the new scheme there will be no concession for late notification of changes in circumstances, "underlying entitlement" will be abolished and therefore the gross value of the overpayment will be recovered.

5. Exceptional Hardship Fund

A cash limited sum of money will be set aside for use where exceptional financial hardship is demonstrated. This recognises the need to take account of an individual's circumstances (for example: hospitalisation, which results in an unavoidable delay in claiming).

6. War Disablement Pensions and War Widows/Widowers Pensions

To recognise the sacrifices made by members of the armed forces and their families, War Disablement Pensions and War Widows/Widowers Pensions will continue to be fully disregarded and will not be taken into account when assessing an applicant's income for a Council Tax Reduction.

7. New forms of income or capital not in existence when the scheme starts.

New forms of income capital and savings may be created in the future (for example Universal Credit and Personal Independence Payments). The Council reserves the right to decide how to treat these and the Council will take these incomes into account when determining entitlement to Council Tax Reduction.

8. A reduction may be made to working age claims. This may be a percentage that is reviewed and specified annually of anywhere between 0% and 20%.

It is the Council's clear intention to protect as many people as possible from reduced levels of Council Tax support. However, given the uncertainty at this stage of Government funding, it may mean that some working age households that currently receive Council Tax Benefit and who are not classed as vulnerable within the scheme may receive less financial support towards their Council Tax than they do currently.

To protect the vulnerable, people who fall within any of the classes of persons identified above (see section 3), will be exempt from the end of calculation deduction.

Council Tax Reduction will be assessed in the same way as the current Council Tax Benefit scheme, with an extra step that reduces entitlement by a set percentage. This reduction will be applied after we calculate the benefit due, and before it is credited to the relevant Council Tax account.

For example: a Council Tax reduction of £20 per week is assessed in the same way as the current scheme, then reduced by a percentage, for example:

0% deduction = no reduction, entitlement = £20

20% deduction = £4.00 per week reduction, entitlement = £16

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6. Eligibility

Subject to defined exclusions, the classes of persons entitled to a Council Tax Reduction under this scheme are those who:

- are not entitled to a Council Tax Reduction under the national scheme for people over pension age,
- have a liability to pay Council Tax in Cambridge,
- do not normally live elsewhere,
- are not absent from their home,
- are not subject to immigration control,
- do not have capital in excess of £16,000, and
- apply for a Council Tax Reduction, or
 - were entitled to Council Tax Benefit on 31 March 2013, or
 - applied for Council Tax Benefit prior to 01 March 2013, or
 - had an application for Council Tax Benefit outstanding at 31 March 2013 (whether pending assessment, pending review or pending appeal).

7. Household and applicable amount

The applicant's entitlement to Council Tax Support shall be assessed by reference to an allowance known as an applicable amount with the various monetary values amended in line with the values in force at any time under the Housing Benefit Regulations 2006.

8. Uprating

The Council reserves the right to review annually the value of allowances and premiums.

9. Income and capital

Income and capital, including notional income and notional capital, shall be assessed in accordance with the provisions of the Council Tax Reduction Schemes (Default Scheme) Regulations with the following exception:

- Pensions for war disablement and for war widows, widowers and surviving civil partners shall be fully disregarded as income.

Where the applicant or a member of the family has disposed of any income or capital asset other than as normal reasonable household expenditure or of necessity, the Council may treat that person as still possessing that income or capital.

10. Calculation of Council Tax Reduction

Council Tax Reduction is calculated on a daily basis by reference to:

- the date the application is made,
- the maximum eligible Council Tax,
- the applicable amount,
- the presence and financial position of non-dependants living in the household,
- any income-related social security benefits received, or
- assessed income and capital for the applicant and any partner, and
- the 20% taper, i.e. 20% of the difference between the applicable amount and assessed income, and
- the end of calculation deduction, and
- class of person.

11. Applications

How to apply

Applications for a Council Tax Reduction on or after 1st April 2013 must be made in such form as the Council specifies. There is no automatic right to reduction without a valid application being made.

A person who is liable (either solely or jointly with another person) to pay Council Tax and is resident in that property can make an application for a Council Tax Reduction. An application cannot be made for a Council Tax Reduction in respect of a second home or vacant dwelling.

Where that person is unable to manage their own financial affairs, either for the time being or permanently, an officially appointed appointee or attorney, where one is appointed, must make the application for a Council Tax Reduction and deal with all aspects of the application and subsequent award on the liable person's behalf.

Where no officially appointed appointee or attorney exists, the Council may appoint a person to act for the liable person, to exercise any powers and rights and to meet any obligation of the liable person on their behalf.

An application for a Council Tax Reduction is valid when it is -

- made in writing on a properly completed approved application form provided by the Council, or
- made electronically, or
- made by telephone, or

- in a manner acceptable to the Council in the circumstances of the particular case, and
- accompanied by acceptable evidence and information, as requested by the Council.

Evidence

Applicants shall be required to verify their income, capital, and identification according to the Council's risk-based verification policies.

Where possible the Council will use its internal systems to avoid duplication. Where this is not possible, applicants will be asked to provide satisfactory documents.

12. Notifications

Cambridge City Council will issue, in writing, notice to applicants of any award granted, removed or revised by adjustment to the Council Tax bill, which shall be treated as the formal notification.

In the case where the application is not successful, a letter shall be sent to that person explaining this decision.

In all cases, the applicants rights to –

- request a statement of reasons,
- request a reconsideration,
- appeal a decision,

will be clearly set out.

Additional information that sets out the applicant's duties to inform the Council of any changes in circumstances that may affect the value of Council Tax Reduction granted will be supplied by the Council with the bill or by separate notice.

Applicants shall have a duty to check the information contained in any notification received regarding their application or award of a Council Tax Reduction. Applicants shall inform Cambridge City Council where such notice contains incorrect information or the applicant's circumstances have changed.

13. Change of circumstances

A person applying for, or awarded a Council Tax Reduction has a duty to notify the Council of any change of circumstances, which it is believed, may affect entitlement to a Council Tax Reduction.

Following a change of circumstances, the Council will reassess entitlement to the Council Tax Reduction.

14. Extended Payments

In specified circumstances, an award of Council Tax Reduction is extended for a period of up to four weeks. This is to encourage and ease the transition into work or to increase hours worked.

15. Appeals

A person who is dissatisfied with a decision of the Council under its Council Tax Reduction scheme may appeal in writing to the Council stating the reasons and the grounds for appeal within **one month** of the date of the notification.

The Council will consider the matter to which the appeal relates and notify the aggrieved person in writing that -

- steps have been taken to deal with the grievance, stating the steps taken or,
- the grounds for appeal is not well founded, giving reasons for that belief.

Where, following such a notification the person is still aggrieved, a further appeal may be made to the Valuation tribunal within one month of the date of that notification.

Where the Council fails to notify the person aggrieved within two months of the appeal being made at the Council, s/he may appeal to the Valuation Tribunal.

16. Complaints

Where an applicant wishes to complain about the administration of the Council Tax Reduction scheme, the Council's normal complaints channels shall be made available.