

Proposed changes to Council Tax Reduction scheme

The local Council Tax Reduction scheme has been in place since April 2013 and works extremely well alongside Housing Benefit.

However, as the number of Housing Benefit recipient declines (due to claimants moving to Universal Credit), there are issues with the interaction between Universal Credit and the Council Tax Reduction scheme that will cause complications for customers, and issues in terms of administration of the scheme.

Proposal

The proposal is to introduce a scheme for Universal Credit claimants to be put into one of several income bands. The amount of reduction in Council Tax for each claimant will not change as long as their earnings remain within that band.

The new banded scheme would be introduced from 1st April 2020 and only apply to Universal Credit claimants. The amount they have to contribute towards their council tax will depend on their net monthly earnings (including income from occupational pensions).

These incomes will have some amounts disregarded to encourage people to start work and stay in work, and also to make pension provisions. All other incomes will be ignored.

For the vast majority of changes in customers' earned income, their Council Tax Reduction will not change, giving them stability in understanding their outgoings per month.

Claimants on Universal Credit, who are not working, will receive a full discount apart from contributions from other adults living in the household. These are called non-dependant deductions.

Draft income bands and possible contributions towards Council Tax bill:

Universal Credit Claimant – Current draft figures	
Not in work or earning less than £285 per month	Claimant pays towards Council Tax - £0 per month
Earning between £285 and £574.99 per month	Claimant pays towards Council Tax - £25 per month
Earning between £575 and £1099.99 per month	Claimant pays towards Council Tax - £75 per month
Earning between £1100 and £1749.99 per month	Claimant pays towards Council Tax - £130 per month
Earning between £1750 and £2249.99 per month	Claimant pays towards Council Tax - £180 per month
Earning between £2250 and £2749.99 per month	Claimant pays towards Council Tax - £230 per month
Earning over £2750 per month	Claimant pays Council Tax in full

Non-Dependants

Non-dependants are other adults living in a property along with the claimant, partner and dependant children.

The suggestion is a weekly contribution of £6.50 per week per non-dependant towards the cost of the services that the Council Tax covers.

Streamlining non-dependant deductions for all Universal Credit claims to a flat monthly contribution provides clarity to people making a Council Tax Reduction claim of the amount that other adults should be contributing toward for the services that are provided. It also streamlines administration by making claims quicker to process because additional information will not need to be requested.

No non-dependant contributions will apply in some circumstances, such as where certain household members have disabilities, are pensioners, students, receiving war pension incomes (including Armed Forces Independence Payments) or members of the armed forces away on operations.

Advantages of the proposed Scheme

A banded scheme would allow Cambridge City Council to make the calculation of the award a lot simpler so the cost of administration to all charge payers is kept to a minimum.

Streamlining non-dependant deductions will also make administering of the scheme easier.

It allows some claimants with incomes towards the bottom of each band to earn more money without reducing their Council Tax Reduction.

Council Tax Reduction will not need to change by small amounts each month, so fewer bills will need to be produced. This will save the Council money, be better for the environment and allow claimants to budget more effectively.

Disadvantages

Claimants near the top of an income band who start earning more may have an increase in the amount of Council Tax they have to contribute which is more than the increase in pay. However, knowing how much the bands are will inform claimants of their choices when changing their employment details.

Transitional Protection

If this income band scheme is introduced some people may receive less than they currently get under the existing scheme.

To support these existing Council Tax Support claimants it is proposed that they transition to the new scheme. From 1 April 2020 Where their new entitlement is more than £5 per week less than their old entitlement on 31 March 2020, it is proposed that the start date of the new scheme will be delayed to 1 July 2020 and support will be offered to find ways to maximise their income and reduce outgoings on a one to one basis as necessary.

For the following vulnerable customers, this deferment will be up to 6 months.

- Care Leavers under 25
- Families with dependant children under 5
- Households where claimant, partner or dependant children have disability benefits

- Households where claimant or partner have war pensions or Armed Forces Independent Payment incomes

Support from trained advisors will be available to give in depth budgeting support. Identification of these households will be made by January 2020 to give enough time for this support to be put in place.

This will have a small administrative cost to the authority but may provide the best longer term support that these households need.

Impact

Our proposed scheme is not designed to reduce or increase the amount of Council Tax Support the Council currently awards. It is designed to be as cost neutral as possible.

Failure to have a scheme that does not work in harmony with Universal Credit will make budgeting difficult for households, be costly in administration for the authority and may lead to inability to collect council tax due to small monthly changes in Council Tax Reduction affecting bills.

The scheme will not apply to pensioners and working age claimants not on Universal Credit. They will continue to have their support calculated on the current rules.

Your Views

We would really like to have your thoughts on our scheme, please email us at nnnn@cambridge.gov.uk and let us know.

Do you agree that Cambridge City Council's Council Tax Reduction Scheme needs to reflect the on-going implementation of Universal Credit ?

What do you see as the advantages and disadvantages of what we are proposing?

Do you feel that the most vulnerable would be supported appropriately?

Do you agree that the proposed flat rate contributions from other adults living in the property are appropriate? What amount do you think this should be?

Would you like to see a different change to the way we help people on a low income pay Council Tax? If so, what would you like to see?

Is there anything else you would like to bring to our attention?