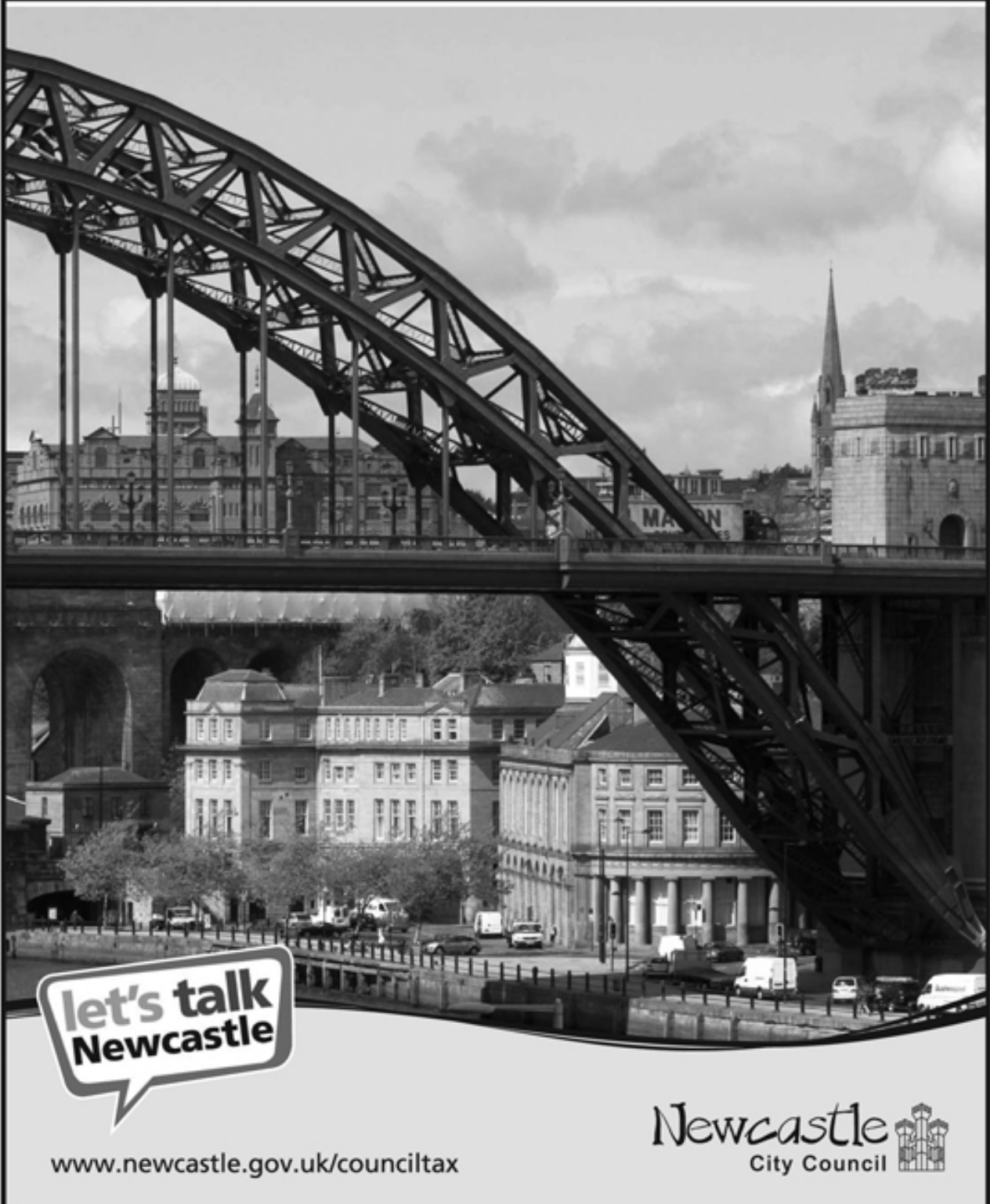


# Council Tax Reduction Scheme 2020

## Summary document



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Newcastle**

[www.newcastle.gov.uk/counciltax](http://www.newcastle.gov.uk/counciltax)

**Newcastle**  
City Council 

## **Introduction**

We are proposing to make some changes to our current our Council Tax Reduction scheme in April 2020. Information about this is provided here to help people who are affected understand what is happening to support them in giving us their views on what we are proposing.

## **Background**

In April 2013 the Government abolished council tax benefit for working age people 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 seven years is more than £16 million and much larger than originally predicted.

In response to these cuts we implemented a new scheme and most people eligible for council tax reduction paid 20% before receiving assistance; there were also some protections for those with the severe and enhanced disability premiums. In 2013/14 to mitigate some impact on our residents we accepted the transitional funding from the Government and most people eligible for a council tax reduction paid 8.5% in that year.

In 2016/17 to take into consideration the impact of welfare reforms on residents across the city and increasing council tax arrears, the minimum amount paid by working age people was dropped to 15%, before receiving assistance and we removed the protections.

In March 2017 the final phase of universal credit was rolled out across Newcastle which meant that a significant number of people were now receiving their income monthly. In addition to this fluctuation in universal credit each month and unstable income from zero hours contract employment meant that new council tax bills and instalment plans were sent out to residents with changes to their assessment. As there was no tolerance in our scheme to support this, it became complex to understand, expensive to administer and led to stacked council tax debt.

Following extensive research, robust modelling and a public consultation, on 1 April 2018 we introduced a new income banded scheme, which offers a discount based on household income rather than a means tested benefit and forms part of our council tax liability process. The new discount scheme gave more support to those on lower income, simplified the rules and made it easier for people to apply. There were winners and some losers, with 75% of our residents being better off:

## **Our current Council Tax Reduction Scheme**

Our income banded scheme offers a discount based on household income and circumstances as follows:

Discount		Passported	Single Income Band £	Couples Income Band £	Family with 1 Child £	Family with 2+ 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

The other features of or scheme include:

- Net earnings are used in the calculation
- Income from Disability Living Allowance, Personal Independence Payments, Armed Forces Independence Payments, Child Benefit, Child Maintenance and War Disablement Benefits is disregarded when calculating income
- Backdating is limited to 6 months and assessed on good cause
- Universal Credit is treated as earned income when the award contains an element of wages
- Deductions taken from Universal credit by the DWP will not be removed
- The housing cost element of Universal Credit is ignored
- Applications from joint tenants are assessed on their proportion of the household
- A flat rate charge of £2.50 per week is applied for each non-dependant
- Anyone with savings of £6,000 or more will not qualify

We have reviewed our current scheme and having taken into consideration feedback from customers and we are proposals to change some elements of our scheme on 1 April 2020. We need your views on the proposed change to help us make our final decision.

## **Proposed Changes to our scheme for 2020/21**

We are proposing the following changes:

### **1. To rename the Income Bands to 1, 2, 3, & 4:**

Following feedback from our customers we are proposing to rename the income bands to 1,2,3 & 4 to remove the confusion between this and council tax property valuation bands which are named A to H. There is no impact associated with this change:

The following table shows how the bands will be renamed:

Band	Discount
Band 1	90%
Band 2	85%
Band 3	50%
Band 4	25%

## 2. To amend the date of a change in circumstances from the date it occurs:

Currently the rules for change in circumstances in our council tax reduction scheme mirror those of Housing Benefit which means that a change is applied on the Monday following the change. As customers have feedback that this is complicated and confusing, we are proposing to amend this so that change in circumstances are applied from the actual date of change. This will mirror the rules for council tax discounts and exemptions.

## 3. Increase income band values by 3% in 2020/21 and then each year after by September RPI %:

We have not increased our income band values for two years and as wages and benefits have started to increase, we need to reflect this in our scheme so that we can maximise support for our residents. It is also proposed that we continue to increase income bands each year in line with the retail price index percentage and build this into our scheme so that further consultation on this is not required.

The proposed changes to the income bands for 2020/21 will be:

Discount		Passported	Single Income Band £	Couples Income Band £	Family with 1 Child £	Family with 2+ Children
Band 1	90%	Relevant Benefit	0.00 to 120.00	0.00 to 165.00	0.00 to 215.00	0.00 to 270.00
Band 2	85%	N/A	120.01 to 160.00	165.01 to 205.00	215.01 to 260.00	270.01 to 310.00
Band 3	50%	N/A	160.01 to 240.00	205.01 to 280.00	260.01 to 340.00	310.01 to 380.00
Band 4	25%	N/A	240.01 to 310.00	280.01 to 360.00	340.01 to 415.00	380.01 to 465.00

#### **4. Increase the non-dependant charge from £2.50 to £3.00 per week in 2020/21 and by £0.25 each year after**

A flat rate charge of £2.50 per week is currently used for each non-dependant. It is proposed that this charge is increased to £3.00 to reflect increases in wages and benefits. In comparison to the Government's protected scheme for pension age people this is still less than the lowest deduction of £4.00, that is currently used. It is also proposed to increase this by £0.25 each year after to take account of increases in wages and benefits. It is proposed that this change is built into the scheme going forward so that further consultation on this is not required

A non-dependant is a person over 18, not responsible for council tax and not disregarded.

#### **5. Simplify the assessment of self-employed income**

Currently the income used in the calculation of self-employed income requires onerous documentation relating to self-employed accounts or a self-assessment and this often delays awards. The assessment is also complex for customers to understand and time consuming to process.

It is therefore proposed to change the assessment of self-employed income by the number of hours worked multiplied by National Minimum Wage. In minimising any impact on our residents, it is proposed to phase this change in and use a percentage of the National Minimum Wage over four years as follows:

<b>Year</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
<b>% of National Minimum Wage Used</b>	70%	80%	90%	100%

#### **Other Information**

**Pension age** people are not affected by these changes and they will continue to have council tax reduction assessed in the same way through the Governments Council Tax Reduction default scheme.

#### **The benefits of these changes:**

- Renaming the bands removes confusion
- Change in circumstances are effective from the date of change
- Increase in income band values ensures that support is maximised as wages and benefits increase
- Self-employed income is easier to assess and understand

#### **The disadvantages of doing this is:**

- Non-dependant charges will increase and some people may have to pay more

- Some self-employed customers may have to pay more as a result of changing the assessment

## Summary of our scheme with the proposed changes for 2020/21:

Council tax reduction is awarded as a discount based on household income and circumstances as follows:

Discount		Passported	Single Income Band £	Couples Income Band £	Family with 1 Child £	Family with 2+ Children
Band 1	90%	Relevant Benefit	0.00 to 120.00	0.00 to 165.00	0.00 to 215.00	0.00 to 270.00
Band 2	85%	N/A	120.01 to 160.00	165.01 to 205.00	215.01 to 260.00	270.01 to 310.00
Band 3	50%	N/A	160.01 to 240.00	205.01 to 280.00	260.01 to 340.00	310.01 to 380.00
Band 4	25%	N/A	240.01 to 310.00	280.01 to 360.00	340.01 to 415.00	380.01 to 465.00

- Net earnings are used in the calculation
- Self-employed income will be calculated by multiplying the number of hours worked by the National Minimum Wage (phased in over 4 years)
- Income from Disability Living Allowance, Personal Independence Payments, Armed Forces Independence Payments, Child Benefit, Child Maintenance and War Disablement Benefits is disregarded when calculating income
- Backdating is limited to 6 months and assessed on good cause
- Universal Credit is treated as earned income when the award contains an element of wages
- Deductions taken from Universal credit by the DWP will not be removed
- The housing cost element of Universal Credit is ignored
- Applications from joint tenants are assessed on their proportion of the household
- A flat rate charge is applied for each non-dependant at £3.00 in 2020/21 and this will increase by £0.25 each year after
- Anyone with savings of £6,000 or more will not qualify

## What the proposals will mean for you

Here are some examples of what this means for people in different situations.

### People receiving Council Tax Reduction

All working age people receiving Council Tax Reduction who are currently liable to pay council tax may be affected by our proposed changes. If the revised income bands are

approved, we will work out entitlement to Council Tax Reduction based on new income band values.

This means that the amount of council tax you will have to pay before receiving reduction will be at least 10% of the charge.

### **People who are self employed**

We are proposing to change the way in which we assess your self-employed earnings for awarding Council Tax Reduction. If this change is approved, we will write to you with more details

### **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.

We will continue to 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 claimants, partners and their children.

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

### **People receiving War Pensions**

Claimants and their partners who receive War Disablement Pension, War Widows Pension and War Widowers Pension will continue to have this income disregarded in full.

We will continue to 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. It is proposed that this will increase to £3.00 per week for each non-dependant in the household. This will also increase by £0.25 per year from 2021/22.

### **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.

## Have your say

It is very important that we get your views on our proposed scheme. You can do this by filling in an online survey at:

<https://letstalknewcastle.co.uk/consultations> to give us your feedback.

You can also email us at: [letstalk@newcastle.gov.uk](mailto:letstalk@newcastle.gov.uk) if you cannot take part in an online consultation, 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 15 December 2019.

Thank you for taking part in our consultation.