**2019/20 Council Tax Reduction Scheme – Background Information and proposal for change**

Before 1 April 2013 Council Tax payers who were on low incomes could apply for Council Tax Benefit (CTB) to help pay their Council Tax. Under this national scheme, Council Tax payers could receive benefit of up to 100% of their Council Tax. At that time, the Council received full funding from the Government for all correct Council Tax Benefit awards.

Changes introduced by the Government abolished the Council Tax Benefit scheme from 1 April 2013 and made local authorities responsible for setting up their own local Council Tax Reduction Schemes (CTRS) for **working age** people. The Government also reduced the amount of funding given to Councils to pay for the schemes.

**The scheme for Pension Age applicants is set by Government and is not affected by any of the options set out in this consultation.**

**Richmond’s Council Tax Reduction Scheme**

When we set up our Council Tax Reduction scheme we decided to protect the most vulnerable low income households. Claimants in receipt of disability related benefits e.g. Disability Living Allowance / Personal Independence Payment, Carers Allowance etc. were always able to claim 100% Council Tax Reduction.

**Reasons for change**

Since the introduction of the Council Tax Reduction Scheme the Council has made a number of changes which have limited the amount that applicants can receive under the scheme. In particular, in 2016/17, the Council introduced a 5% minimum contribution towards Council Tax meaning that some residents who had never had to pay Council Tax before received bills. In 2017/18, the minimum contribution was increased to 15%.

The Council also froze the “applicable amounts” used in calculating CTR which has the effect of reducing entitlement to CTR.

Council Tax collection data and feedback from local organisations and politicians indicated that the minimum charge was causing hardship for a number of residents. The new administration committed to removing the minimum charge in its election manifesto.

**Change we are proposing**

Our preferred option is to remove the 85% limit on Council Tax Reduction which means that the poorest claimants will not have to make the minimum contribution. In addition, other residents who receive partial Council Tax Reduction will have their bills reduced.

Removing the minimum charge means that qualifying residents will once again be able to have all of their Council Tax paid for by the Council

**The benefits of this are:**

* **It will ease the financial pressure on the borough’s most financially hard pressed residents. We estimate that about 2,500 of the Borough’s hard pressed households will benefit**

**The drawbacks of this are:**

* The change will cost the Council money by increasing the reductions available to some residents. We estimate that the cost will be about £400,000 per year

**Examples of the impact of removing the minimum charge**

When working out whether someone qualifies for help through our CTRS, we first calculate their “applicable amount” (see Definitions below).

Next, we calculate their income and, in the case of couples, that of any partner. We also apply any relevant “disregards” (see Definitions below)

If the income after applying any “disregards” is below their applicable amount, then the applicant can receive maximum help (100% of their Council Tax Bill, or the equivalent of Band E if the applicant lives in a Band F, G or H property). However, if there are any additional adults living in the household, a “non-dependant” deduction (see Definitions below) may be applied.

If the income after applying any “disregards” is above their needs (applicable amount) the maximum award will be reduced by 20 pence for every £1 excess income (this percentage reduction is called a taper i.e. a 20% ‘taper’). We then make any deductions for non-dependants where applicable (see Definitions below).

Below is an example to illustrate how the CTRS is currently calculated for a couple with 2 children and how the proposed change will affect them (decrease of £4.55 per week):

|  |  |  |
| --- | --- | --- |
|  | **Weekly calculation 2018/19****15% minimum** | **Proposed weekly calculation - no 15% minimum** |
| ***Applicable amount calculated as:*** |  |  |
| *Couple, at least one member of the couple over 18 (both under pension age)* | £111.45 | £111.45 |
| *Child 1* | £64.99 | £64.99 |
| *Child 2* | £64.99 | £64.99 |
| *Family Premium* | £17.40 | £17.40 |
| ***Applicable Amount***  | **£258.83** | **£258.83** |
| ***The applicable amount is compared against the income as follows:*** |  |  |
| *Earned income (net) and after applying the couples earnings disregards of £20.00 and the additional earnings disregard of £17.10*  | £263.00 | £263.00 |
| *Excess income (difference between applicable**amount – Needs Allowance – and earned income).* | £4.17 | £4.17 |
| *20% taper (£4.17 x 20%)* | £0.83 | £0.83 |
| *Band D property weekly Council Tax liability Full Charge* | £30.35 | £30.35 |
| *Maximum Council Tax Reduction*  | £25.80(85%) | £30.35 |
| *Minimum Payment*  | £4.55 | £0.00 |
| *Weekly Council Tax to pay* | £5.38 | £0.83 |

This example looks at the impact on a single parent with 2 children currently receiving full Council Tax Reduction (decrease of £4.55 per week):

|  |  |  |
| --- | --- | --- |
|  | **Weekly calculation 2018/19****15% minimum** | **Proposed weekly calculation - no 15% minimum** |
| ***Applicable amount calculated as:*** |  |  |
| *Lone Parent* | £71.00 | £71.00 |
| *Child 1* | £64.99 | £64.99 |
| *Child 2* | £64.99 | £64.99 |
| *Family Premium* | £17.40 | £17.40 |
| ***Applicable Amount***  | **£218.38** | **£218.38** |
| ***The applicable amount is compared against the income as follows:*** |  |  |
| *Earned income (net) and after applying the lone parents earnings disregards of £30.00 and the additional earnings disregard of £17.10*  | £200.00 | £200.00 |
| *Excess income (difference between applicable**amount – Needs Allowance – and earned income).* | Nil | Nil |
| *20% taper*  | Nil | Nil |
| *Band D property weekly Council Tax liability Full Charge* | £30.35 | £30.35 |
| *Maximum Council Tax Reduction*  | £25.80 (85%) | £30.35 |
| *Minimum Payment*  | £4.55 | £0.00 |
| *Weekly Council Tax to pay* | £4.55 | £0.00 |

*Applicable Amount allowance*

This example looks at the impact on a single parent with 2 children already paying towards their Council Tax (decrease of £4.55 per week):

|  |  |  |
| --- | --- | --- |
|  | **Weekly calculation 2018/19****15% minimum** | **Proposed weekly calculation - no 15% minimum** |
| ***Applicable amount calculated as:*** |  |  |
| *Lone Parent* | £71.00 | £71.00 |
| *Child 1* | £64.99 | £64.99 |
| *Child 2* | £64.99 | £64.99 |
| *Family Premium* | £17.40 | £17.40 |
| ***Applicable Amount***  | **£218.38** | **£218.38** |
| ***The applicable amount is compared against the income as follows:*** |  |  |
| *Earned income (net) and after applying the couples earnings disregards of £20.00 and the additional earnings disregard of £17.10*  | £324.35 | £324.35 |
| *Excess income (difference between applicable**amount – Needs Allowance – and earned income).* | £105.97 | £105.97 |
| *20% taper*  | £21.19 | £21.19 |
| *Band D property weekly Council Tax liability Full charge* | £30.35 | £30.35 |
| *Maximum Council Tax Reduction* | £25.80 (85%) | £30.35 |
| *Minimum Payment*  | £4.55 | £0.00 |
| *Weekly Council Tax to pay* | £25.74 | £21.19 |

**Definitions**

Applicable amount – The applicable amount is the amount of money the Council believes an applicant and partner and his or her dependents need to have in order to live. This figure varies depending on the claimant’s personal circumstances (i.e. age and whether they are single or living with a partner). Additional needs are added for each child in the household and members of the household who are disabled or carers. These additional needs are called allowances and premiums in the CTRS. These figures are unchanged since April 2012.

Non-dependant – In broad terms a non-dependant is a grown-up son, daughter, friend or relative who lives in the claimant’s home. The calculation of Council Tax Reduction assumes they will contribute to the household expenses and therefore a non-dependant deduction is taken into account when calculating a claimant’s entitlement to Council Tax Reduction.

Earnings Disregards – Some earned income can be disregarded for the purposes of calculating income. The amount of the disregard depends on the circumstances of the applicant

Vulnerable claimant *–* people who receive certain disability related benefits included in their assessment of their entitlement to CTRS will qualify as vulnerable. The definition of vulnerable is not changing.

**Consultation**

The Council is required to formally adopt a Council Tax Reduction scheme by 31 January each year to start on 1 April of that year and to consult on any changes to the scheme.

This consultation is about our proposals for changes to the scheme for 2019/20 and we want your views on these to help us make final decisions.

We are keen to ensure that all Council Tax payers are aware of the changes we have proposed. The Council recognises that any changes will affect some of its residents and wants to get a full range of views on the proposed changes to our local Council Tax Reduction Scheme.

We will be seeking the views of:

• Existing Council Tax Reduction Scheme applicants who may be affected by the proposals

• Advocacy / welfare groups

• Council Tax payers

• Partner organisations which may be affected indirectly such as Richmond Housing Partnership

**How are we consulting?**

Given the wide range of residents and groups that we want to consult with, a number of consultation methods are being used:

* Online consultation
* Writing directly to those working age households currently receiving Council Tax Reduction who might be affected to invite them to complete the consultation.

We will also be seeking the views of:

* Advocacy / welfare groups
* Council Tax payers
* Partner organisations which may be affected indirectly such as Richmond Housing Partnership

Whilst the Council recognises that these proposals may affect an individual’s finances it is unable to engage in discussion of individual cases as part of this consultation.

**Have your say**

Please take part in the consultation to give us your views on our proposal.

Go to <https://haveyoursay.citizenspace.com/richmondres/council-tax-reduction-18> to submit your response online.

If you need a paper copy of the questionnaire please email consultation@richmond.gov.uk or call us on 020 8891 1411

**Please submit your completed survey by midnight on the 19/11/18 when the survey closes.**

To see a copy of the proposal report, please follow the following link

[Review of Council Tax Reduction Scheme](https://cabnet.richmond.gov.uk/documents/s75077/2018%2006%2001%20Review%20of%20CTR%20Scheme%20003%2005092018%20Finance%20Policy%20and%20Performance%20Overview%20and%20Scrut.pdf)

**Translation advice**

If you have difficulty understanding this document, please visit the Council's reception at the Civic Centre, Twickenham TW1 3AA, where we can arrange a telephone interpreting service.



Please contact us if you need this leaflet in Braille, large print, on audio tape or in another language. Phone: 0208 891 1411 or Minicom: 020 8831 6001.