

### **Summary of proposal to align with some national welfare changes**

It is proposed to update the CTRS to align with some national welfare changes that have taken place since 2013.

Council Tax Reduction is intended for residents who have a low income. Therefore, it is means-tested.

The existing means-test for working-age claimants is based on national welfare entitlement in 2013. The government has made changes to national welfare since 2013. This means that some of the language and figures used in the existing CTRS are out of date.

Therefore, the Council is proposing to update the means-test.

This would include:

- Updating the amount the government says people need to live on per week;
- Updating income brackets;
- Updating deduction rates; and
- Updating the language used.

For pensioners, the CTRS automatically updates each year to align with national welfare changes. For working age claimants, the CTRS has not been updated since 2013. Therefore, it is proposed to update the scheme to ensure it is up to date, easier to understand and reflects inflationary changes.

The proposal to align with some national welfare changes would mostly either financially benefit working-age CTRS claimants or make no change to CTRS entitlement.

However, changes to income brackets and deduction rates could mean some working-age CTRS claimants pay up to 95p per week more Council Tax. This could happen if you live with a non-dependant adult, are not in receipt of a prescribed disability benefit or premium, and have no children in your household. Non-dependant adults are normally adult children or relatives who are working.

The people most likely to be affected are those living with multiple non-dependants. However, for most people, it is expected that changes which could have meant they pay up to 95p per week more Council Tax would be off-set by the other proposed changes that make the CTRS more generous.

### **Updating the amount the government says people need to live on per week**

When working out whether someone is entitled to Council Tax Reduction, the Council compare the applicant's weekly income to the amount the government says they need to live on. This is called the applicable amount, and it is calculated by adding together the relevant personal allowances and premiums. (A personal allowance is the amount the government says someone needs to live on per week. A premium is added to this if, for example, they are a carer.)

## Appendix 4 – Summary of proposal to align with some national welfare changes

If their income is less than the applicable amount, they are more likely to get a reduction on their Council Tax. If their income is higher than the applicable amount, they are less likely to get a reduction on their Council Tax.

Personal allowances and premiums, and the resulting applicable amounts, have all increased since 2013 (i.e. the government have said people need more money to live on in 2018 than they did in 2013).

Therefore, if this is updated, more people will be deemed to earn less than the applicable amount and be entitled to Council Tax Reduction.

The table below shows the proposed changes to allowances and premiums:

<b>Allowances</b>	<b>Current weekly rates</b>	<b>Proposed weekly rates</b>	<b>Weekly Increase</b>
Single person	71.70	73.10	1.40
Single parent	71.70	73.10	1.40
Couple	112.55	114.85	2.30
Child allowance	65.62	66.90	1.28
<b>Premiums</b>	<b>Current weekly rates</b>	<b>Proposed weekly rates</b>	<b>Weekly Increase</b>
Carer	33.30	36.00	2.70
Disability - couple	44.20	47.80	3.60
Disability - single	31.00	33.55	2.55
Disability - child	57.89	62.86	4.97
Enhanced disability - child	23.45	25.48	2.03
Enhanced disability - couple	21.75	23.55	1.80
Enhanced disability - single	15.15	16.40	1.25
Family	17.40	17.45	0.05
Severe disability - single	59.50	64.30	4.80
Severe disability - couple	119.00	128.60	9.60

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<b>Support component</b>	<b>34.80</b>	<b>37.65</b>	<b>2.85</b>
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### Updating income brackets

A Council Tax bill can be reduced in certain circumstances if a resident has a second adult living with them who is not their partner and their combined weekly income is less than a certain amount (currently £239 per week).

This type of reduction is known as the second adult reduction.

The government has increased the income brackets used for pensioners to reflect inflation. For example, the top bracket for pensioners has increased from £239 to £260 per week since 2013.

If this is updated for working-age residents in the CTRS, more people would have an income under £260 per week than have an income under £239 per week. Therefore, more people would be eligible for second adult reduction.

No claimant is expected to be financially worse off as a result of this proposed change.

The table below shows the proposed changes to second adult reduction:

<b>Current gross weekly income (all second adults)</b>	<b>Current rate of Second Adult reduction on Council Tax bill</b>	<b>Proposed gross weekly income (all second adults)</b>	<b>Proposed rate of Second Adult reduction on Council Tax bill</b>	<b>Income band increase</b>
Passport benefit	25%	Passport benefit	25%	N/A
Less than £183.00	15%	Less than £201.00	15%	£18.00
£183.00 to less than £239.00	7.5%	£201.00 to less than £260.00	7.5%	£18.00 - £21.00

Based on the above, second adults (non-dependants) with a combined gross income of:

- less than £183.00 will continue to qualify for a 15% rate
- £183.00 - £201.00 will see a 7.5% increase (i.e. move up from 7.5% to 15%)
- £201.00 - £239.00 will continue to qualify for a 7.5% rate
- £239.00 - £260.00 will now qualify for a 7.5% rate (and do not currently qualify)

### Updating deduction rates

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Council Tax Reduction is normally reduced for every non-dependant who lives with the applicant. Non-dependants are normally adult children or relatives who are working. The amount of Council Tax Reduction is reduced because it is assumed they will contribute to Council Tax bills.

The amount by which it is reduced depends on the income of each non-dependant. The higher the income bracket they fall into, the larger the amount deducted.

The government has increased the income brackets used for pensioners to reflect inflation. If the income brackets were updated for working-age claimants, more non-dependants would fall into lower income brackets and have a smaller deduction applied.

It is also proposed to increase the deduction rates to match the rates for pensioners.

This would mean that, if a non-dependant's income stays in the same bracket, a larger amount will be deducted from the Council Tax Reduction. In some circumstances, this could mean a claimant would be liable to pay more Council Tax.

The people most likely to be affected are those with multiple non-dependants and those where a non-dependant's gross income remains in the same income band. However, for most people, it is expected that the larger deductions would be off-set by the other proposed changes which make the CTRS more generous.

The table below shows the proposed changes to non-dependant deduction rates and income bands:

Current weekly income	Current weekly deduction	Proposed weekly income	Proposed weekly deduction	Income band increase	Deduction rate increase
Less than £186.00	£3.65	Less than £202.85	£3.90	£16.85	0.25p
£186.00 - £322.00	£7.25	£202.85 – £351.65	£7.90	£16.85 - £29.65	0.65p
£322.00 - £401.00	£9.15	£351.65 – £436.90	£9.95	£29.65 - 35.90	0.80p
£401.00 or more	£10.95	£436.90 or more	£11.90	35.90	0.95p

Looking at the above, each non-dependant with current weekly income of:

- £436.90 or more will incur an increase of 95p
- £401 – £436.90 will see a decrease of £1.00
- £351.65 to £401.00 will incur an increase of 80p
- £322 - £351.65 will see a decrease of £1.25
- £202.85 - £322.00 will incur an increase of 65p
- £186.00 - £202.85 will see a decrease of £3.35
- £202.84 or less will incur an increase of 25p

### **Updating the language used**

The following proposed changes would not affect anyone's entitlement to Council Tax Reduction:

- The government have abolished the Work Related Activity component of Employment and Support Allowances, and replaced it with reference to a Work Related Activity Group. Therefore, it is proposed to amend the references to this in the CTRS.
- The current CTRS does not refer to Employment and Support Allowance Support component or Armed Forces Independence Payment in the list of prescribed disability benefits. However, these benefits are still taken into account in practice. Therefore, it is proposed to make this clearer by including reference to them in the CTRS.
- The government has brought in Bereavement Support Payments. Therefore, it is proposed to replace 'bereavement payment' with 'Bereavement Support Payments' in the list of incomes that are taken into account.