

# A Revised Council Tax Reduction (CTRS) Scheme



The Council currently reduces the amount of council tax people on low incomes have to pay in line with its Council Tax Reduction Scheme.

Whilst the current scheme has worked well for a number of years, the Council has identified ways it could be made fairer, help more people, and be easier to administrate.

It is keen to consult this autumn/winter on three options to help shape a final revised scheme it will then ask Full Council to consider in February 2022.

## Why change?

- The current scheme doesn't always distribute support to the neediest residents – for example residents with significant savings and a working adult living in their home, could be awarded more support than people with no savings and on very low incomes.
- Because under the current scheme people on the lowest incomes are expected to pay a small amount (8.5% or 10.5% towards their bill), the Council often chases the most financially vulnerable residents for comparatively small debts, which people can't afford to pay (vs don't want to pay), and the debt recovery is costly to deliver.
- Despite the introduction of Universal Credit which was meant to reduce workload, the cost of administering the scheme is not dropping, but the grant the Council gets to deliver the scheme is reducing year on year.
- The current scheme gives working people very little financial certainty – every time their income changes (for example they do an extra shift or reduce their hours slightly) they are sent a new Council Tax bill showing their new reduction. For claimants receiving fluctuating wages, this means they receive a revised award every month and, as a consequence, a revised Council Tax bill, which is costly to administer and deliver.
- Payments made by customers can be delayed because the Council need to give 14 days' notice, meaning customers do not have the opportunity to spread their remaining Council Tax payments over as many instalments.
- Due to the complex nature of assessments, benefit assessor skills are required to process Local Council Tax Reduction Scheme (LCTRS) cases/changes.
- A simplified scheme could allow awards to be automated and discounts to be applied in real time according to people's changes in circumstances.

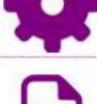
## Option 1 Key changes

|   |  | What this could mean?  |
|---|--|--|
|  | <b>We'll introduce a banded scheme with a % reduction.</b>   | The size of the claimant's council tax bill/property will be taken into consideration, and they will receive a % reduction on their bill. So people in larger homes/who have higher Council Tax bills will get a larger reduction.   |
|  | <b>People on the lowest incomes will no longer need to pay a minimum amount towards their council tax bill.</b>  | We'll remove the 8.5% and 10.5% minimum payment towards Council Tax for those on the lowest incomes. This will reduce the number of financial vulnerable people in Council Tax debt and the amount of debt recovery the Council has to undertake with financially vulnerable residents.  |
|  | <b>We will only look at earned income and won't take into consideration DWP or HMRC income such as tax credits, child benefit, Personal Independence Payments etc, when we calculate their discount.</b> | This means the financial support from the government some residents receive due to their personal circumstances (for example they are disabled) won't be taken into consideration. The scheme will disregard these payments and just look at excess earned income. That said some people may feel this is unfair as people with specific benefits could be better off as a result. |
|  | <b>We will roll the scheme out to Universal Credit claimants first, and then to any claimants who move across to Universal Credit.</b>   | Universal Credit claimants are used to changes in the amount of CTRS they receive. As such, this approach will cause less disruption as we roll out the scheme.  |
|  | <b>We will set the amount of reduction a resident gets at £5 per week for every non-dependent adult living in their home.</b>  | Currently the Council offers a sliding scale reduction which is based on the income of the non-dependent adult (between £4.05 and £12.45 reduction in support). Introducing a standard reduction will make it easier to understand and administrate. A resident on the lowest income could be worse off by £0.95p per week based on this change.                                   |
|  | <b>We'll treat every new Universal Credit Claim as a claim for Council Tax Support.</b>  | This will get money to more people, faster.  |
|  | <b>People will have to be eligible for at least 50p or £1 of support a week before they qualify.</b>   | This will reduce sending letters to people who qualify for less than £2 or £4 support a month.   |
|  | <b>People who have a second adult living in their home on a low income will no longer be able to claim 25% of their council tax bill.</b>  | Often times people claim the discount, even if they earn high wages themselves, as the scheme does not take into account the income of the ratepayer. Many councils have removed this as it is seen as unfair.   |

## Option 2 Key changes

|   |  | What this could mean?  |
|---|--|--|
|    | <b>We'll introduce a banded scheme with a % reduction.</b>   | The size of the claimant's council tax bill/property will be taken into consideration, and they will receive a % reduction on their bill. So people in larger homes/who have higher Council Tax bills will get a larger reduction.   |
|    | <b>People on the lowest incomes will still have to pay a small amount towards their council tax.</b>   | People on low incomes will still have to pay either 8.5% and 10.5% of their Council Tax and will get a discount on the remaining amount.   |
|    | <b>We will look at all income, including DWP and HMRC income such as tax credits, child benefit, Personal Independence Payments etc, when we calculate the support we will give.</b> | This means the scheme won't make allowances for any additional government income a resident gets due to their personal circumstances (for example they are disabled). If this model is chosen, the Council may have to consider introducing additional bandings to reflect residents' individual circumstances – single parent, disabled person etc and vary the support provided based on the additional bands. This could then become more complex to assess and administer. |
|    | <b>We will roll the scheme out to all CTRS claimants.</b>  | This could cause more disruption initially, but the Council would only need to retain one set of regulations, but it may be considered fairer by residents as they will all be treated equally.  |
|    | <b>We'll treat every new Universal Credit Claim as a claim for Council Tax Support.</b>  | This will get money to more people, faster.  |
|   | <b>People will have to be eligible for at least 50p or £1 of support a week before they qualify.</b>   | This will reduce sending letters to people who qualify for less than £2 or £4 support a month.   |
|  | <b>People who have a second adult living in their home on a low income will no longer be able to claim 25% of their council tax bill.</b>  | Often times people claim the discount, even if they earn high wages themselves, as the scheme does not take into account the income of the ratepayer. Many councils have removed this as it is seen as unfair.   |

## Option 3 Key changes

|   |  | What this could mean?  |
|---|--|--|
|  | <b>We'll introduce a banded scheme with a £ contribution.</b>  | Every resident, regardless of the size of their Council Tax banding (property size) or parish charge, will be expected to pay the same £ contribution toward their Council Tax bill, based on their excess income.   |
|  | <b>People on the lowest incomes will no longer need to pay a minimum amount towards their council tax bill.</b>  | We'll remove the 8.5% and 10.5% minimum payment towards Council Tax for those on the lowest incomes. This will reduce the number of financial vulnerable people in Council Tax debt and the amount of debt recovery the Council has to undertake with financially vulnerable residents.  |
|  | <b>We will only look at earned income and won't take into consideration DWP or HMRC income such as tax credits, child benefit, Personal Independence Payments etc, when we calculate their discount.</b> | This means the financial support from the government some residents receive due to their personal circumstances (for example they are disabled) won't be taken into consideration. The scheme will disregard these payments and just look at excess earned income. That said some people may feel this is unfair as people with specific benefits could be better off as a result. |
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|  | <b>We will set the amount of reduction a resident gets at £5 per week for every non-dependent adult living in their home.</b>  | Currently the Council offers a sliding scale reduction which is based on the income of the non-dependent adult (between £4.05 and £12.45 reduction in support). Introducing a standard reduction will make it easier to understand and administrate. A resident on the lowest income could be worse off by £0.95p per week based on this change.                                   |
|  | <b>We'll treat every new Universal Credit Claim as a claim for Council Tax Support.</b>  | This will get money to more people, faster.  |
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## The next steps

If Finance & Management (F&M) Committee agree the Council should consult on changes to the Council Tax Reduction Scheme, the above draft models will be finalised and checked to make sure they are affordable, at which point some minor amendments may be made. Final costed models will then be presented to Finance & Management Committee on 7 October 2021 for approval.

The Council will then run a 12-week public and stakeholder consultation to get views on the costs models and what options should be considered moving forwards. The consultation will include an online modelling tool.

A final proposed model will then be presented to F&M Committee & Full Council in February 2022 for approval.

Any questions, please email [ctrs-consultations@southderbyshire.gov.uk](mailto:ctrs-consultations@southderbyshire.gov.uk) or [elaine.garnham@southderbyshire.gov.uk](mailto:elaine.garnham@southderbyshire.gov.uk) or [elizabeth.barton@southderbyshire.gov.uk](mailto:elizabeth.barton@southderbyshire.gov.uk)