

# Council Tax Reduction consultation



THE ROYAL BOROUGH OF  
KENSINGTON  
AND CHELSEA



# Proposal for a banded income scheme

**Council Tax Reduction helps residents on a low income to pay the Council Tax, by reducing their Council Tax bill.**

Until 2013, Council Tax Reduction was a national scheme, and the reductions that people could receive were set by central government. Since then, each Council has had the responsibility to specify its own Council Tax Reduction scheme for working-age residents (the scheme for pensioners is still set by central government).

Since 2013, Kensington and Chelsea Council's working-age Council Tax Reduction scheme has been based on the "Default Scheme" - a relatively generous scheme which is equivalent to the old national scheme. But for some residents, this scheme does not work very well, so the Council is proposing to start a new scheme in April 2021.

# Why our Council Tax Reduction scheme does not work very well for some residents

Roughly one-third of our working-age residents who receive a Council Tax Reduction are on Universal Credit, the new welfare benefit administered by the Department for Work and Pensions (DWP). Over the next few years, we expect that most of our working-age residents who receive Council Tax Reduction will transfer to Universal Credit.

For residents on Universal Credit, the Council uses the amount of their Universal Credit, and the amount of any other income, including earnings, according to the Department for Work and Pensions, to calculate their Council Tax Reduction.

Because Universal Credit can be recalculated each month, this means that a resident's Council Tax Reduction might also be recalculated each month, and a revised Council Tax bill issued. This is a problem for workers on Universal Credit, whose earnings might fluctuate each month, due to variable working hours, or other factors.

Each time a new Council Tax bill is issued, a new payment instalment plan is offered, over-riding the previous one. If this happens often, the new instalment plan will start before the first instalment of the previous plan has become due. If this is repeated, then the resident cannot make payments according to their plan, and they will get into Council Tax debt.

## How can this problem be solved?

The Council is proposing that the Council Tax Reduction for residents on Universal Credit is calculated according to a banded income scheme. This means that the Council will place a resident's income within a "band" of income, and that band will determine the percentage by which their Council Tax is reduced. For example, if someone's income is £290 per week, they would be placed in a band of income £289 to £317, which gives 32 per cent off the Council Tax.

If, in the following month, this person's income changed to £300 per week, it would still be in the band £289 to £317, and the Council Tax Reduction would be the same. The Council wouldn't need to issue a revised Council Tax bill and that person's Council Tax instalment plan would remain the same.

## Who does this proposal affect?

It only affects Council Tax payers who are on Universal Credit and working. If someone is on Universal Credit but has no earnings in a particular month, that person can claim maximum Council Tax Reduction as at present (for example, 100 per cent minus non-dependant deductions if relevant).

If a resident is not on Universal Credit, whether pensioner or working-age, they are not affected by this proposal (they will still have their Council Tax Reduction calculated in the same way as the current scheme).

# Would people on this banded income scheme get more, or less Council Tax Reduction, compared with now?

We will aim to make the banded income scheme at least as generous as the current scheme. The indicative rates of reduction are shown in the following pages.

Most people will qualify for the same, or slightly more reduction than under the current scheme. Our work shows that about 30 per cent of people on Universal Credit will get more reduction under the banded income scheme. The average increase in reduction for this group is £146 a year. The rest of the people will usually get the same reduction as at present.

We recognise that there may be a small number of people with complex situations who might qualify for less under the banded income scheme. If their old rate of reduction is higher than the new scheme on 1st April 2021, then this rate of reduction will be protected for an indefinite period. This period will only end if they become entitled to more reduction under the banded income scheme compared with the old rate. This protection can also continue after a gap in their entitlement to Council Tax Reduction.

Overall, the new scheme is slightly more costly than the current scheme. We expect this extra cost to be absorbed by the general fall in numbers of people on Council Tax Reduction in RBKC, a trend which began a few years ago, and is expected to continue.

# Are there any other ways to solve this problem?

We believe that a banded income scheme is the only effective way to solve the problem.

We also looked-into an “income tolerance” scheme (ignoring small changes in earnings within a specified monetary range), and a “Housing Benefit-style” scheme (averaging-out earnings according to the resident’s pattern of employment), but these would be labour-intensive, and would add unacceptable administrative costs to the scheme.

## The indicative rates of reduction under the banded income scheme

The actual amounts may vary slightly from these figures, if the scheme goes ahead. These amounts only apply to people on Universal Credit.

There are different rates for different sizes of family, to take into account the varying rates of Universal Credit they qualify for. For simplicity, we have only shown rates for families up to two children but there will be tables for all sizes of family, if the scheme goes ahead. If you would like to know how it would affect your family, please telephone 020 7361 3006.

In calculating income for this scheme, we will be using the income of the resident, and his/her partner if they have one, as recorded by the Department for Work and Pensions on a Universal Credit calculation for a particular month. However, we will disregard the following amounts from Universal Credit:

- an amount equal to the Housing Costs Element
- an amount equal to the Carer Element
- an amount equal to the Limited Capability for Work Element

- an amount equal to the Limited Capability for Work-related Activity Element
- an amount equal to the Childcare Element
- an amount equal to the Disabled Child Element

**The rates on the following pages show the percentage reduction of Council Tax, for different levels of weekly income, for different size families.**

# Council Tax Reduction rates for a single person

**An example of how the Council Tax Reduction scheme could work.**

## Paulo

Paulo is a single person who lives in a housing association flat in Council Tax Band C. He cares for an elderly relative and receives Carer's Allowance. He also earns £40 per week from a part-time job. He gets Universal Credit of £179.73 per week.

Under the banded income scheme, the Council will disregard the Housing Element and the Carer Element of Universal Credit:

£179.73 Universal Credit

£67.25 Carer's Allowance

£40.00 net earnings

- £140.00 Housing Element

- £37.60 Carer Element

£109.38 per week for the purpose of the banded income scheme.



The table below applies. Paulo is in the income band £95 - £121 per week, so he qualifies for 83 per cent reduction under the banded income scheme.

Under the current scheme, he would get a reduction of 82 per cent from the Council Tax.

Table 1: Single person



Percentage CT reduction ->	100%	83%	66%	49%	32%	15%
CT Band A	Up to £95pw	£95 - £114	£114 - £133	£133 - £153	£153 - £172	£172 - £191
CT Band B	Up to £95pw	£95 - £117	£117 - £140	£140 - £162	£162 - £185	£185 - £207
CT Band C	Up to £95pw	£95 - £121	£121 - £146	£146 - £172	£172 - £197	£197 - £223
CT Band D	Up to £95pw	£95 - £124	£124 - £153	£153 - £181	£181 - £210	£210 - £239
CT Band E	Up to £95pw	£95 - £130	£130 - £165	£165 - £201	£201 - £236	£236 - £271
CT Band F	Up to £95pw	£95 - £137	£137 - £178	£178 - £220	£220 - £261	£261 - £303
CT Band G	Up to £95pw	£95 - £146	£146 - £191	£191 - £239	£239 - £287	£287 - £335
CT Band H	Up to £95pw	£95 - £153	£153 - £210	£210 - £268	£268 - £325	£325 - £383

# Council Tax Reduction rates for a single parent with one child

An example of how the Council Tax Reduction scheme could work.

## Deborah

Deborah is a lone parent with one child. They live in a privately-rented property which is in Band D for Council Tax. She earns £230 per week from her job, after deductions. Her Universal Credit is £352.13 per week.

Under the banded income scheme, the Council will disregard the Housing Element of Universal Credit:

£352.13 Universal Credit  
£230.00 Earnings  
- £295.49 Housing Element  
£286.64 per week for the purpose of the banded income scheme.

Deborah is in the income band £275 - £304 per week, so she qualifies for a 15 per cent reduction under the banded income scheme.

Under the current scheme, she would not qualify for Council Tax Reduction.

### **Deborah, the following month**

Looking at the same family a month later, Deborah has had an increase in her pay. She now earns £250, and her Universal Credit has changed to £339.50 per week.

Her income under the banded scheme is now:

£339.50 Universal Credit


£250.00 Earnings

- £295.49 Housing Element

£294.01 per week for the purpose of the banded income scheme.

She is still in the income band £275 - £304, so she still qualifies for a 15 per cent reduction under the banded income - scheme. Under the current scheme, she would not qualify for Council Tax Reduction.

To find out your percentage of Council Tax Reduction, select your Council Tax Band from the list below.

**Table 2: Lone parent with one child** 

Percentage CT reduction ->	100%	83%	66%	49%	32%	15%
CT Band A	Up to £160 pw	£160 - £179	£179 - £198	£198 - £218	£218 - £237	£237 - £256
CT Band B	Up to £160 pw	£160 - £182	£182 - £205	£205 - £227	£227 - £250	£250 - £272
CT Band C	Up to £160 pw	£160 - £186	£186 - £211	£211 - £237	£237 - £262	£262 - £288
CT Band D	Up to £160 pw	£160 - £189	£189 - £218	£218 - £246	£246 - £275	£275 - £304
CT Band E	Up to £160 pw	£160 - £195	£195 - £230	£230 - £266	£266 - £301	£301 - £336
CT Band F	Up to £160 pw	£160 - £202	£202 - £243	£243 - £285	£285 - £326	£326 - £368
CT Band G	Up to £160 pw	£160 - £208	£208 - £256	£256 - £304	£304 - £352	£352 - £400
CT Band H	Up to £160 pw	£160 - £218	£218 - £275	£275 - £333	£333 - £390	£390 - £448

# Council Tax Reduction rates for a single parent with two children

An example of how the Council Tax Reduction scheme could work.

## Rachel

Rachel is a single parent with two children. They live in a property which is in Band E for Council Tax. She is not working, and she receives Universal Credit of £363.91 per week.

Under the banded income scheme, the Council will disregard the Housing Element of Universal Credit, which in her case is £150 per week:

£363.91 Universal Credit

-150.00 Housing Element

£213.91 per week for the purpose of the banded income scheme.

She is in the income band 0 - £215, so she qualifies for 100 per cent reduction under the banded income scheme. This is the same as she receives in the current scheme.

To find out your percentage of Council Tax Reduction, select your Council Tax Band from the list below.

**Table 3: Lone parent with two children**



Percentage CT reduction ->	100%	83%	66%	49%	32%	15%
CT Band A	Up to £215 pw	£215 - £234	£234 - £253	£253 - £273	£273 - £291	£292 - £311
CT Band B	Up to £215 pw	£215 - £237	£237 - £260	£260 - £282	£282 - £305	£305 - £327
CT Band C	Up to £215 pw	£215 - £241	£241 - £266	£266 - £292	£292 - £317	£317 - £343
CT Band D	Up to £215 pw	£215 - £244	£244 - £273	£273 - £301	£301 - £330	£330 - £359
CT Band E	Up to £215 pw	£215 - £250	£250 - £285	£285 - £321	£321 - £356	£356 - £391
CT Band F	Up to £215 pw	£215 - £257	£257 - £298	£298 - £340	£340 - £381	£381 - £423
CT Band G	Up to £215 pw	£215 - £263	£263 - £311	£311 - £359	£359 - £407	£407 - £455
CT Band H	Up to £215 pw	£215 - £273	£273 - £330	£330 - £384	£384 - £445	£445 - £503

# Council Tax Reduction rates for a couple with no children

An example of how the Council Tax Reduction scheme could work.

## Clive and Daphne

Clive and Daphne live in a Council flat which is in Council Tax Band C. All their children have grown-up and left home, except for Curtis, who is unemployed and looking for work. Clive has a private pension from his previous employment of £50 per week. Daphne has a part-time job and earns £100 a week. They receive Universal Credit of £176.74 per week.

Under the banded income scheme, the Council will disregard the Housing Element of Universal Credit, which in their case is £170 per week:

£176.74 Universal Credit

£100.00 Earnings

£50.00 Private pension

- £170.00 Housing Element

£156.74 per week for the purpose of the banded income scheme.

They are in the income band £140 - £166, so they qualify for 83 per cent reduction under the banded income scheme, minus a non-dependant deduction for Curtis of £4.05 per week.

Under the current scheme they would receive a reduction of 63 per cent, minus a non-dependant deduction for Curtis of £4.05 per week.

To find out your percentage of Council Tax Reduction, select your Council Tax Band from the list below.

**Table 4: Couple with no children**



Percentage CT reduction ->	100%	83%	66%	49%	32%	15%
CT Band A	Up to £140 pw	£140 - £159	£159 - £178	£178 - £198	£198 - £217	£217 - £236
CT Band B	Up to £140 pw	£140 - £162	£162 - £185	£185 - £207	£207 - £230	£230 - £252
CT Band C	Up to £140 pw	£140 - £166	£166 - £191	£191 - £217	£217 - £242	£242 - £268
CT Band D	Up to £140 pw	£140 - £169	£169 - £198	£198 - £226	£226 - £255	£255 - £284
CT Band E	Up to £140 pw	£140 - £175	£175 - £210	£210 - £246	£246 - £281	£281 - £316
CT Band F	Up to £140 pw	£140 - £182	£182 - £223	£223 - £265	£265 - £306	£306 - £348
CT Band G	Up to £140 pw	£140 - £188	£188 - £236	£236 - £284	£284 - £332	£332 - £380
CT Band H	Up to £140 pw	£140 - £198	£198 - £255	£255 - £313	£313 - £370	£370 - £428

# Council Tax Reduction rates for a couple with one child

An example of how the Council Tax Reduction scheme could work.

## Latif and Soha

Latif and Soha have one child. They rent privately: the property they rent is in Council Tax Band F. Latif works full time and earns £405 a week after tax and national insurance. They receive Universal Credit of £354.51 a week.

Under the banded income scheme, the Council will disregard the Housing Element of Universal Credit, which in their case is £365.92. However, as the Universal Credit is only £354.51 per week, we can only disregard this amount.

£354.51 Universal Credit

£405.00 Earnings

- £354.51 Housing Element (part)

£405.00 per week for the purpose of the banded income scheme.

This is in the income band £368 - £410, so they qualify for a 15 per cent reduction. Under the current scheme they would not qualify for a reduction.

### Latif and Soha, the following month

Looking at the same family a month later, Latif has had a decrease in his pay. He now earns £300, and their Universal Credit has changed to £420.84 per week.



Their income under the banded scheme is now:

£420.84 Universal Credit

£300.00 Earnings

- £365.92 Housing Element

£354.92 per week for the purpose of the banded income scheme.

They are now in the income band £327 - £368, so they now qualify for a 32 per cent reduction under the banded income scheme. Under the current scheme, they would get a reduction of 12 per cent from the Council Tax.

To find out your percentage of Council Tax Reduction, select your Council Tax Band from the list below.

**Table 5: Couple with one child**



Percentage CT reduction ->	100%	83%	66%	49%	32%	15%
CT Band A	Up to £202 pw	£202 - £221	£221 - £240	£240 - £260	£260 - £279	£279 - £298
CT Band B	Up to £202 pw	£202 - £224	£224 - £247	£247 - £269	£269 - £292	£292 - £314
CT Band C	Up to £202 pw	£202 - £228	£228 - £253	£253 - £279	£279 - £304	£304 - £330
CT Band D	Up to £202 pw	£202 - £231	£231 - £260	£260 - £289	£289 - £317	£317 - £346
CT Band E	Up to £202 pw	£202 - £237	£237 - £272	£272 - £308	£308 - £343	£343 - £378
CT Band F	Up to £202 pw	£202 - £244	£244 - £285	£285 - £327	£327 - £368	£368 - £410
CT Band G	Up to £202 pw	£202 - £250	£250 - £298	£298 - £346	£346 - £394	£394 - £442
CT Band H	Up to £202 pw	£202 - £260	£260 - £317	£317 - £375	£375 - £432	£432 - £490

# Council Tax Reduction rates for a couple with two children

An example of how the Council Tax Reduction scheme could work.

## Ammar and Nadia

Ammar and Nadia have two children. They live in a property which is in Band D for Council Tax. Ammar works and gets £150 per week net. They receive Universal Credit of £570.28 per week.

Under the banded income scheme, the Council will disregard the Housing Element of Universal Credit, which in their case is £365.92 per week:

£570.28 Universal Credit  
£150.00 earnings  
- £365.92 Housing Element  
£354.36 per week for the purpose of the banded income scheme.

They are in the income band £343 - £372, so they qualify for a 32 per cent reduction under the banded income scheme. Under the current scheme, they would get a reduction of 18 per cent from the Council Tax.

### **Ammar and Nadia, the following month**

Looking at the same family a month later, Ammar has had a decrease in his pay. He now earns £140, and their Universal Credit has changed to £576.58 per week. Their income under the banded scheme is now:

£576.58 Universal Credit

£140.00 earnings

- £365.92 Housing Element

£350.66 per week for the purpose of the banded income scheme.

They are still in the income band £343 - £372, so they still qualify for a 32 per cent reduction under the banded income scheme.

Under the current scheme, they would get a reduction of 22 per cent from the Council Tax.

To find out your percentage of Council Tax Reduction, select your Council Tax Band from the list below.



**Table 6: Couple with two children**

Percentage CT reduction ->	100%	83%	66%	49%	32%	15%
CT Band A	Up to £257 pw	£257 - £276	£276 - £295	£295 - £315	£315 - £334	£334 - £353
CT Band B	Up to £257 pw	£257 - £279	£279 - £302	£302 - £324	£324 - £347	£347 - £369
CT Band C	Up to £257 pw	£257 - £283	£283 - £308	£308 - £334	£334 - £359	£359 - £385
CT Band D	Up to £257 pw	£257 - £286	£286 - £315	£315 - £343	£343 - £372	£372 - £401
CT Band E	Up to £257 pw	£257 - £292	£292 - £327	£327 - £363	£363 - £398	£398 - £433
CT Band F	Up to £257 pw	£257 - £299	£299 - £340	£340 - £382	£382 - £423	£423 - £465
CT Band G	Up to £257 pw	£257 - £305	£305 - £353	£353 - £401	£401 - £449	£449 - £479
CT Band H	Up to £257 pw	£257 - £315	£315 - £372	£372 - £430	£430 - £487	£487 - £545

