#### Foreword

The Government is making changes to the way council tax benefit is worked out. As part of its package of welfare savings, it is replacing council tax benefit with a new council tax support scheme.

The Government will also be cutting the amount of money that Blaby District Council gets to pay for the new council tax support scheme. This means that we will need to save around £460,000 in the first year after the new scheme is introduced. The new scheme will be introduced from April 2013.

The changes we are being asked to make are likely to mean that nearly everyone who is currently receiving council tax benefit (except pensioners) will have to pay something towards their council tax in the future.

This is a difficult and challenging problem that we have been given by Government. But we are firmly committed to finding the fairest way of introducing these changes here in Blaby and ensuring that we continue to support our most vulnerable residents in the best way we can.

We want everyone in Blaby to have the chance to help decide how we make the savings we're being asked to find. So we are asking for your help.

Please read these pages carefully. We hope they will give you all the information you need about the changes being introduced, our proposed ideas and details of how you can get involved in helping us to decide what we do.

During this consultation we will be talking to residents and working with voluntary organisations and other groups. This will help us to get a better understanding of how these changes will affect them.

We would also like to reassure those who currently receive the 25% single person's discount and those who are exempt because they are severely mentally impaired and live on their own that **these discounts and exemptions have not changed.** Therefore they are not part of this consultation.

We have not made any decisions about the new scheme and your views and ideas will be a major part of what those decisions are, so we urge you to complete the accompanying questionnaire, tell us your views and send it back to us at

Council Tax Benefit is changing Blaby District Council Council Offices Desford Road Narborough Leicester LE19 2EP

If you've got any questions you can either visit <u>www.blaby.gov.uk/ctbischanging</u>, call 0116 272 7510 during office hours, call **0116 272 7721** outside of office hours or email **ctbischanging@blaby.gov.uk** 

Many thanks for your time.

# What is council tax?

Council tax is a local tax set by the council based on the value of your property. Your home is placed in one of eight valuation bands based on its value at 1st April 1991.

The council is responsible for collecting council tax and this money funds about 20% of local public services, including things like refuse collection, adult social care, environmental health and education. Some of the money collected is passed to the Leicestershire police and fire authorities.

# What is council tax benefit?

Some people receive council tax benefit. It helps those people on a low income, or no income, to pay their council tax. At the moment, the Government gives the council all of the money it needs to fund council tax benefit.

The Government sets the rules about who can claim council tax benefit. If somebody meets those rules, they will receive a contribution towards their council tax bill. This contribution is paid directly into their council tax account – no money is paid directly to any individuals.

In Blaby District last year (2011-2012), £4.6million was spent on council tax benefit. Over the past five years, the amount being spent on council tax benefits has risen each year because more people are claiming.

# What is going to happen to council tax benefit?

From April 2013, the Government is abolishing council tax benefit and instead, all councils must develop a local council tax support scheme or risk losing funding. In Blaby District Council's case this would be around £460,000.

Because the Government is reducing our funding, it is likely that nearly everyone who is currently receiving council tax benefit (except pensioners) will have to pay something towards their council tax in the future.

The law that will allow council tax benefit to be abolished is currently going through Parliament. It's possible that there may be some slight changes to the law as it goes through Parliament, but we wanted to consult you now so that you have plenty of time to give us your views.

We will tell you if there are any changes to the law as it goes through Parliament. We will also still take into account any views you have given us.

# How can I tell you my views?

We are asking you for your views on how we support people to pay their council tax in the future. Have your say by completing the questionnaire that accompanies this booklet.

This booklet will outline the ideas we are proposing.

# How long have I got to give you my views?

We will consult with you until Friday, 28 September 2012 to get your views on what a new support scheme should look like.

# Is there anything this consultation isn't covering?

The 25% single person's discount and the exemption for people who are severely mentally impaired and live on their own, have not changed. They are not part of this consultation. A full list of the current council tax discounts and exemptions is available on the website at **www.blaby.gov.uk** or by telephoning 0116 272 7530.

Welfare reforms such as the changes to housing benefit and the introduction of Universal Credit are not part of this consultation.

# What will the new council tax support scheme look like?

The Government has outlined the changes the new scheme should include:

• There will be no change to the amount of help pensioners currently receive.

• The impact on the most vulnerable should be considered when councils design their new schemes.

• The new scheme should encourage people to work and not discourage them from working.

The new scheme will be designed to meet the needs of the local area and councils are allowed to decide the rules for their own council tax support scheme. (This means people could have different experiences depending on where they live. We are working closely with our neighbouring councils to try and ensure, where possible, we have similar rules for our schemes.)

#### Who will be affected by these changes?

Nearly everybody who receives council tax benefit, except pensioners, will be affected by the changes because nearly everybody will now have to pay something towards their council tax.

We will protect some of the most vulnerable groups of people from paying, but one of the questions we are asking you as part of our consultation is who **you** think ought to be protected from paying. So it is impossible to say at this stage exactly who will have to pay more.

#### What effect could these changes have?

At the moment, the Government helps people on the lowest incomes by paying all of their council tax for them. Under the new scheme proposed by the government, this could change so that people can only get help to pay part of their council tax, no matter what their circumstances. This means the rules around council tax benefit must change. We haven't decided yet how these rules will change, but here are some of the things we will consider:

# 1. Putting a maximum limit on the amount of council tax benefit that can be paid

This could mean everyone who claims council tax benefit would have to pay 15% of their council tax bill.

# 2. Changing the rate at which council tax benefit is withdrawn when people have more income than the law says they need to live on

At the moment, someone can get help to pay for all of their council tax. The amount they get will depend on how much money they have coming in. If they have more money coming in than the minimum the law says they need to live on, it would mean for every extra £1 they have in income, they are expected to pay 20p per week towards their council tax.

This could change so people will pay more than 20p for every extra £1 they have in income.

# 3. Changing the amount of savings people can have before benefits are given

In the current scheme, people are not entitled to council tax benefit when their savings are more than £16,000. Any savings their partner may have are also taken into account. This might change so that the savings limit is less than £16,000.

# 4. Changing the amount of savings that are ignored

Any savings below £6,000 are ignored when calculating Council Tax Benefit. This might change so that the savings amount that is ignored is lower.

**5. Capping the council tax support to a lower band property.** This means that, regardless of the size of your house, you could only get council tax benefit up to the same level you would need for a smaller house. At the moment, a person could get 100% of their council tax benefit no matter how large their house is.

# 5. Removing Second Adult Rebate

At the moment, if you can afford to pay your council tax but live with someone on a low income, you may be able to receive help with your council tax. This might change so that we no longer offer this discount.

## 6. Changing the amounts of ignored income for certain income types

Some types of	income or par	ts of income a	are ignored when	calculating Council	Tax Benefit.
We	may	change	or	reduce	these.

All of the six changes listed above will result in those affected households having less income.

## What impact will these rules have?

We have developed a proposed scheme to help you understand the impact these different rules could have if we adopted some of these changes. You can let us know what you think in our questionnaire.

## Proposed scheme

Under this scheme everyone currently receiving council tax benefit (except pensioners) would be expected to pay at least 15% of their council tax.

Support under this scheme would be capped at the council tax rate of a Band D property. This means, if you currently have a property banded higher than this, you would have to pay more towards your bill. The maximum amount of help that you would get with your council tax would be 85% of the Band D rate.

People with savings of more than £16,000 don't get any Council Tax Benefit. Under the new support scheme we plan to use a lower savings limit.

At the moment any savings below £6,000 are ignored when calculating Council Tax Benefit. We plan to reduce the amount that is ignored in the new support scheme.

At the moment if the amount of income people have is more than the Benefit Regulations say they need to live on, the current benefit calculation reduces their council tax benefit by 20p for every £1 of extra income. In the new support scheme we plan to increase this to 25p for every £1 of extra income.

The benefit rules allow help for people who live with someone who is not their partner to get help with council tax. This is called "second adult rebate". In the new support scheme we plan to end this rebate.

At the moment all Child Benefit is ignored when calculating Council Tax Benefit. In the new support scheme we plan to ignore Child Benefit income for the first or eldest child only.

Lone Parents have the first £25 of their weekly earnings ignored when calculating Council Tax Benefit. In the new support scheme we plan to reduce this to the first £10.00 per week (the same amount that is ignored for a couple).

At the moment if people receiving Council Tax Benefit work a certain number of hours, an extra amount of their earnings are ignored. This is called an "additional earnings disregard". In the new support scheme we plan to count all of this "extra amount" of income when calculating the amount of council tax support.

#### How will any changes affect me?

It's not possible to say exactly how the changes will affect each individual or household. We haven't decided which combination of rules to adopt yet, so we can't say exactly what will happen at this stage. It might be that, after you have given us your views, we adopt a scheme that is different to the one we have outlined here. This could include a different combination of rules than those outlined in the proposed scheme.

We have come up with some **scenarios** that show how people or different households might be affected. Please note that the amounts shown are projected figures – we can't yet say what exact benefit award amounts are likely to be.

# Scenario 1

#### Mr R is a single man and has recently lost his job.

Mr R receives Contribution-based Job Seekers Allowance and has savings of £1,500.

His weekly Council Tax charge is £14.71 and he currently receives maximum Council Tax Benefit (100%).

This means that he has to pay £0.00 every month towards his Council Tax.

#### What the changes could mean

If Mr R's circumstances remain the same he might receive £12.50 every week under Council Tax Support.

This means that he might have to pay £9.60 every month (over 12 months) towards his Council Tax.

The elements of Blaby's Council Tax Support proposal that affect Mr R are:

• maximum benefit of 85%

## Mr and Mrs W are a working couple with no children. Mr W is disabled.

Mrs W works and brings home £211.92 every week in earnings. The total household income is £358.77 which includes the earnings, Working Tax Credit and Disability Living Allowance.

Their weekly Council Tax charge is £18.95 and they currently receive £6.73 every week Council Tax Benefit.

This means that they have to pay £53.10 every month towards their Council Tax.

## What the changes could mean

If Mr and Mrs W's circumstances remain the same they might receive £0.00 every week under Council Tax Support.

This means that they might have to pay **the full charge of £82.34 every month** (over 12 months) towards their Council Tax.

The elements of Blaby's Council Tax Support proposal that affect Mr and Mrs W are:

- maximum benefit of 85%
- taper increase to 25p
- removal of additional earnings disregard

## Mrs T is a lone parent not working with 2 children under 10.

Mrs T receives Income Based Job Seekers Allowance, Child Benefit and Child Tax Credit.

Her weekly Council Tax charge is £14.71 and she currently receives maximum Council Tax Benefit (100%).

This means that she has to pay £0.00 every month towards her Council Tax.

## What the changes could mean

If Mrs T's circumstances remain the same she might receive £12.50 every week under Council Tax Support.

This means that she might have to pay £9.60 every month (over 12 months) towards her Council Tax.

The elements of Blaby's Council Tax Support proposal that affects Mrs T are:

• maximum benefit of 85%

#### Mr and Mrs B are a couple, not working with 4 children.

Mr B has recently been made redundant and is now claiming Contributions Based Job Seekers Allowance along with Child Tax Credit and Child Benefit. They have savings of £12,500.

Their weekly Council Tax charge is £27.88 and they currently receive maximum Council Tax Benefit (100%).

This means that they have to pay £0.00 every month towards their Council Tax.

#### What the changes could mean

If Mr and Mrs B's circumstances remain the same they may not receive any Council Tax Support as their savings may exceed the proposed capital and savings levels under Council Tax Support.

This means that they may have **to pay the full charge of £121.15 every month** (over 12 months) towards their Council Tax.

The elements of Blaby's Council Tax Support proposal that affects Mr and Mrs B are:

• changes to the maximum permitted capital/savings amount levels

## Mr and Mrs A are a working couple with two children under 11.

Mr A works full time and brings home £249.87 every week in earnings. The total household income is £400.46 which includes the earnings, Child Benefit, Working Tax Credit and Child Tax Credit.

Their weekly Council Tax charge is £22.72 and they currently receive £6.56 every week Council Tax Benefit.

This means that they have to pay £70.22 every month towards their Council Tax.

#### What the changes could mean

If Mr and Mrs A's circumstances remain the same they might receive £0.00 every week under Council Tax Support.

This means that they might have to pay **the full charge of £98.72 every month** (over 12 months) towards their Council Tax.

The elements of Blaby's Council Tax Support proposal that affect Mr and Mrs A are:

- maximum benefit of 85%
- taper increase to 25p
- removal of additional earnings disregard
- changes to the amounts of Child Benefit that are ignored

## Miss S is a single woman and working.

She has an income of £105.68 every week and savings of £1,700.

Her weekly Council Tax charge is £25.71 and she currently receives £19.29 every week Council Tax Benefit.

This means that she has to pay £27.90 every month towards her Council Tax.

## What the changes could mean

If Miss S's circumstances remain the same she might receive £12.50 every week under Council Tax Support.

This means that she might have to pay £49.01 every month (over 12 months) towards her Council Tax.

The elements of Blaby's Council Tax Support proposal that affect Miss S are:

- maximum benefit of 85%
- taper increase to 25%
- removal of additional earnings disregard

#### Ms V is a lone parent working with 2 children under 16.

Ms V works and brings home £87.60 every week in earnings. Her total weekly household income is £308.99 which includes Child Benefit, Working Tax Credit and Child Tax Credit.

Her weekly Council Tax charge is £19.61 and she currently receives £16.65 every week Council Tax Benefit.

This means that she has to pay £12.86 every month towards her Council Tax.

#### What the changes could mean

If Ms V's circumstances remain the same she might receive £1.59 every week under Council Tax Support.

This means that she might have to pay £78.30 every month (over 12 months) towards her Council Tax.

The elements of Blaby's Council Tax Support proposal that affect Mrs V are:

- maximum benefit of 85%
- reduction of unearned income disregard to £10.00
- changes to the Child Benefit ignored amount
- taper increase to 25%
- removal of additional earnings disregard

#### Mr and Mrs H are pensioners

They receive Pension Savings Credit, a small private pension and have savings of £6,000. The total weekly household income is £243.80.

Their weekly Council Tax charge is £19.08 and they currently receive £13.90 every week Council Tax Benefit.

This means that they have to pay £22.51 every month towards their Council Tax.

# What the changes could mean

If Mr and Mrs H's circumstances remain the same the benefit they are receiving will not change.

This is because Blaby's Council Tax Support proposal does not affect pensioners.

This means that they still have to pay £22.51 every month (over 12 months) towards their Council Tax.

**Now have your say.** You can find out more information or fill in an online version of the questionnaire by visiting **www.blaby.gov.uk/ctbischanging**