

Have your say on changes to council tax support

Foreword by Chief Executive

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 reducing the amount of money that Harborough District Council currently gets to pay for the new council tax support scheme. This means that we will need to save around £351,000 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 we face, but I am firmly committed to finding the fairest way of introducing these changes here in Harborough District Council and ensure we continue to support our residents in the best way we can.

I want everyone in the Harborough District receiving council tax benefit to have the chance to help decide how we make the savings we're being asked to find. So I am asking for your help.

I have enclosed some details 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 to confirm who our most vulnerable people are – this will help us to get a better understanding of how these changes will affect them.

Your views and ideas will be a major part of informing our decisions.

Anna Graves
Chief Executive [Harborough District Council]

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?

Council tax benefit 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 Harborough District last year (2011-2012), £3,519,268 was spent on council tax benefit. Over the past five years, council tax benefits have risen each year because more people are claiming.

What is going to happen to council tax benefit?

From April 2013, the Government is stopping the current council tax benefit and instead, all councils must develop a local council tax support scheme or risk losing £351,000 in funding.

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 stopped 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 online questionnaire - www.harborough.gov.uk/counciltaxreform

How long have I got to give you my views?

Consultation will run from 1st August until Friday, 28 September 2012

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.harborough.gov.uk/benefitsadvice or by telephoning 01858 828282.

Welfare reforms such as the changes to housing benefit and the introduction of Universal Credit are not part of this consultation. If you want to find out more about these changes, visit www.dwp.gov.uk

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.

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 between 10% and 35% of their council tax bill.

2. Changing the rate at which council tax benefit is withdrawn where a person has 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. Increasing contributions from other adult members of the household.

Council tax benefit is assessed on the needs of the person making the claim, their partner and their dependent children. Other adults within the household are expected to contribute towards the council tax bill, depending on their income. This could change so that these adults contribute more towards the council tax bill.

4. Changing the amount of savings a person can have before benefits are given.

In the current scheme, a person is 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.

5. Capping the council tax support available by house valuation band.

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.

6. Removing Second Adult Rebate.

At the moment Second Adult Rebate is awarded to Council tax payers who are not entitled to Council Tax benefit based on their own income but receive a rebate of up to 25% off their bill because they have other adults on a low income living with them. This might change so that we no longer offer this discount.

7. Extending council tax support to people starting work.

In the current scheme, if you were a jobseeker who found work, your council tax support would be reassessed, and may be stopped. This could change so that we extend the length of time you receive council tax support when you start work.

What impact will these rules have?

We have developed six scenarios to help you understand the impact these different rules could have if we adopted some of them.

Scenario 1

Mr and Mrs S are pensioners. They receive Pension Credit, Savings Credit.

Council Tax Benefit now

Liability	£1001.98
Benefit	£725.15
To pay	£276.83

Council Tax support scheme

Liability	£1001.98
Support	£725.15
To pay	£276.83

No change; pensioners are protected and will not have their benefit reduced under the new scheme.

These figures are based on a Band A property.

The figures are based on current Council tax charges.

Scenario 2

Laura is a single parent with 2 children under 5. She is working age. She is in receipt of Income Support.

Council Tax Benefit now

Liability	£1001.98
Benefit	£1001.98
To pay	£ 0.00

Council Tax support scheme

Liability	£1001.98
Eligible liability	£801.58
Benefit	£801.58
To pay	£200.40

Laura would have to pay £200.40 per year because her entitlement would be based on 80% of the Council Tax liability.

Laura currently pays nothing towards her Council Tax. Under the new scheme she would pay about £20.01 per month.

These figures are based on a Band A property.

The figures are based on current Council tax charges.

Scenario 3

Mr and Mrs T are working age and have 2 children under 16. Their 19 year old son also lives with them, he is working. Mr Taylor works and they receive tax credits. They have a total weekly income of £341.55. (*Our calculations disregard income of £27.10 and £33.70*)

They have a deduction of £3.30 made from their award because their adult son lives with them and he is working.

Council Tax Benefit now

Liability	£1001.98
Benefit	£ 601.73 (£11.57 pw)
To pay	£ 400.25

Council Tax support scheme

Liability	£1001.98
Eligible liability	£ 801.58
Support	£ 401.40 (£7.72 pw)
To pay	£ 600.58

Mr and Mrs T would have to pay £200.33 more per year because their entitlement would be based on 80% of the Council Tax liability. If the non-dependant deductions were increased by 20% this would also increase the amount to pay to £635.42

Mr and Mrs T currently pay about £40.02 per month towards their Council Tax. Under the new scheme they would pay about £63.54 per month.

These figures are based on a Band A property.

The figures are based on current Council tax charges.

Scenario 4

Mr and Mrs D are working age. They have a weekly income of £145.00. No disregards. They live in a Band F property.

Council Tax Benefit now

Liability	£2121.43
Benefit	£1771.29
To pay	£ 350.14

Council Tax support scheme

Liability	£2121.43
Eligible liability	£1194.18
Support	£ 844.19
To pay	£1277.24

Mr and Mrs D would have to pay £927.10 more per year because their entitlement would be based on 80% of the Council Tax liability and if Council Tax support was restricted to Band D liability this would also reduce the amount of support due.

Mr and Mrs D currently pay £35.01 per month towards their Council Tax. Under the new scheme they would pay about £127.72 per month.

The figures are based on current Council tax charges.

Scenario 5

Mr and Mrs G are working age. Mr G is disabled and receives Disability Living Allowance (High Care rate) and a small private pension. Mrs G goes to work. Their total income is £347.80 per week. £97.45 is disregarded.

Council Tax Benefit now

Liability	£1001.98
Benefit	£226.82
To pay	£775.16

Council Tax support scheme

Liability	£1001.98
Eligible liability	£801.58
Support	£26.07
To pay	£975.91

Mr and Mrs G would have to pay £200.75 more per year because their entitlement would be based on 80% of the Council Tax liability.

Mr and Mrs G currently pay about £77.52 per month towards their Council Tax. Under the new scheme they would pay about £97.59 per month.

These figures are based on a Band A property.

The figures are based on current Council tax charges.

Scenario 6

Mrs W is single and her son who is on Income Support. Mrs W's income is too high for her to receive Council Tax Benefit. But she is entitled to and receives Second Adult Rebate because she is the sole liable person in the property and the other resident adult is on a low income.

Council Tax Benefit now

Liability	£1001.98
Benefit	£250.50
To pay	£751.48

Council Tax support scheme

Liability	£1001.98
Support	£ 0.00
To pay	£1001.98

Mrs W would not be entitled to any support if Second Adult Rebate was discontinued under the new scheme.

These figures are based on a Band A property.

The figures show an annual award.

The figures are based on current Council tax charges.