

# **Council Tax Benefit is Changing**

## **We want your views**

### **1. Introduction**

From April 2013, The Government is abolishing the current national Council Tax Benefit (CTB) scheme and asking local authorities to set up their own local schemes to meet the needs of their local area. Our local scheme will be known as Council Tax Support (CTS). In making these changes the Coalition Government is cutting the amount that Rotherham Council has to provide Council Tax support by £4.1million.

During 2011-2012, Rotherham Council awarded £22.8 Million to 31,000 claimants of whom 15,000 were pensioners. It should be noted that the Government has stated that where the claimant and partner are both pensioners they will be protected from any changes.

At present the Government funds 100% of the current Council Tax Benefit scheme. However under the new Council Tax Support scheme Rotherham will receive a set figure as an annual grant. The government will reduce the grant by 10% of the amount paid out in Council Tax benefit. In Rotherham's case it is estimated that under the Coalition Government's proposals this will result in a funding cut of £4.1 million for 2013/2014.

Any spend on Council Tax Support above the grant level will have to be met out of the Councils own funds to the detriment of other Council services.

As a result we will have to make some difficult decisions about who will get financial help to pay their Council Tax and how much help they will receive.

### **2. Considerations**

Although the scheme will be local, the government has outlined some main principles which all Councils must apply:

#### **The Equality Act 2010**

The Council must have regard to disabilities when making decisions of a strategic nature in order to reduce any inequalities. There is a duty on the Local Authority to eliminate discrimination and advance equality of opportunity.

With this in mind the Council proposes that it retains the present scheme of allowances, premiums and income disregards as the best way of recognising the particular needs of families, carers and people with disabilities.

## **Child Poverty Act 2010**

Part 2 of the Child Poverty Act 2010, sections 19-25, place a duty on Local Authorities to reduce child poverty in their area.

With this in mind the Council intends to continue to disregard child benefit and child maintenance when calculating Council Tax Support.

### **Guidance from the Secretary of State**

When designing a scheme the Council must also have regard to any guidance issued by the Secretary of State to:

#### Safeguard vulnerable groups

The rules for Council Tax Benefit, Housing Benefit and DWP means-tested benefits have a scheme of allowances and premiums that take into account the make-up of the claimant's household, including responsibility for children, caring responsibilities and varying degrees of ill health and disability. Additionally some types of income related to children or disability are not counted in assessing a claimant's income for Council Tax Benefit.

The Council proposes that it retains the present scheme of allowances, premiums and income disregards in the Council Tax Support scheme as the best way of recognising the particular needs of families, carers and people with disabilities.

#### Promote work incentives

With this in mind the authority proposes to maintain the current 4 week run on period in order to incentivise work. This means that a claimant entering work or increasing their hours will, as at present, not see their Council Tax Support entitlement reduce for a period of 4 weeks. Additionally the 20% taper will be retained meaning employed claimants will lose only 20p benefit for every additional £1 they earn.

#### Have regard to the Armed Forces Covenant

With the covenant in mind the Council proposes to retain the existing disregard of 100% of all monies received in respect of war widows and war disablement pensions.

#### Comply with any prescribed requirements in legislation issued by DCLG.

All prescribed requirements will be included in the new Council Tax Support scheme.

### **3. Detail of what is being proposed from 1<sup>st</sup> April 2013**

There are a number of constraints on what the Council can do and, after consulting with our partners and modelling the likely effects on residents of various options, we have identified a preferred Council Tax Support scheme for Rotherham.

The Council is giving consideration to the following options to make up the shortfall in funding:

- Reduce benefit expenditure through the cuts to the new Council Tax Support scheme as outlined in Section 4
- Increase Council Tax income through changes to discounts and exemptions as outlined in Section 5
- Meet some of the shortfall from Council funds including a potential increase in Council Tax levels

We need to have an agreed scheme in place by 31<sup>st</sup> January 2013 and are consulting on our draft proposals. The results of the consultation will be taken into account when drafting the final scheme.

### **4. Overview and principles of the draft Council Tax Support scheme for working age claimants**

The Council has produced a draft Council Tax Support scheme based largely upon the existing Council Tax Benefit rules. We have also introduced a number of simplifications to ease administration and to ensure that the scheme is clear and easy to understand for claimants.

#### **Maximum Council Tax Support entitlement for working age claimants**

The main proposed change to the current Council Tax Benefit scheme is to introduce a maximum Council Tax Support level. This will be set at a percentage of the Council Tax entitlement which is sufficient to meet the likely shortfall in funding.

At present a claimant may be entitled to Council Tax Benefit to meet 100% of their Council Tax bill. However it is proposed that the maximum entitlement for Council Tax Support will be reduced to a percentage yet to be decided. This will mean all working age Council Tax Support claimants will have to make some payment towards their Council Tax.

The maximum percentage entitlement will vary dependant on decisions made regarding funding the shortfall through other changes to the scheme, additional income raised from changes to Council Tax and subsidy from Council funds.

If none of the other options are implemented the maximum Council Tax Support a working age claimant would receive is likely to be 80% of the Council Tax liability.

If a maximum Council Tax entitlement of 80% was introduced, someone currently living in a Band A property who is entitled to full Council Tax Benefit would pay a minimum of £190 per year or £3.65 per week.

In addition to the maximum entitlement the council is considering the following change for the new scheme. A decision on the final scheme will be made following full consideration of the consultation results.

#### Abolish Second Adult Rebate

Currently, claimants whose income and capital is too high to for them to be entitled to Council Tax Benefit, but who have other adult(s) in the household with low income, can receive a Second Adult Rebate up to 25%. This is designed to compensate people who would normally qualify for a single person discount if a second adult did not live with them regardless of how much income they receive.

The authority proposes to abolish the current second adult rebate scheme for single working age claimants which would affect 232 claimants and save £51,000.

Should Second Adult Rebate be abolished following the consultation, claimants currently receiving it would be able to make application for Council Tax Support based on their own income and capital. Our records indicate that these numbers would be very low as the average income above the Council Tax Benefit entitlement level for these claimants is £122 per week.

For someone in receipt of full second adult rebate in a Band A property this will mean they would pay an additional £238 per year or £4.58 per week.

### **5. Overview and principles of the proposed changes to Council tax discounts and exemptions**

From 1<sup>st</sup> April 2013 the government is allowing Councils local discretion on the levels of some Council Tax discount and exemptions. The Council is proposing therefore to make the following changes in order to raise additional funds to meet some of the losses in government funding for the new Council tax Support scheme.

#### Proposal 1 - Second Homes

At present the authority grants 50% discount on second homes but proposes to remove this discount making Council Tax payable in full for such properties.

This will mean that someone in receipt of second home discount in a Band A property would pay a minimum additional £476 per year or £9.16 per week.

#### Proposal 2 - Vacant properties undergoing major structural repair

At present these properties are exempt from Council Charge for the first 12 months. The Council proposes to replace this exemption with a 25% discount.

This will mean that someone currently receiving the exemption for a Band A property would pay a minimum additional £715 per year or £13.75 per week.

#### Proposal 3 - Vacant and unfurnished properties (first six months)

At present these properties are exempt from Council Tax. The Council proposes to replace this exemption with a 25% discount.

This will mean that someone currently receiving the exemption for a Band A property would pay a minimum additional £357 for the six month period or £13.75 per week.

#### Proposal 4 - Vacant and unfurnished properties (vacant for over six months)

At present these properties receive a discretionary 50% Council Tax discount. The Council proposes to remove this discount making Council Tax payable in full for such properties.

This will mean that someone currently receiving a 50% discount for a Band A property would pay a minimum additional £477 per year or £9.17 per week.

#### Proposal 5 - Long term vacant and unfurnished properties (vacant for over two years)

At present these properties receive a discretionary 50% Council Tax discount regardless of how long they are empty. The Council proposes to introduce a premium 150% charge. This is intended to encourage owners of long term empty properties to bring them back into use.

This will mean that someone a 50% discount for a Band A property would pay a minimum additional £953 per year or £18.33 per week.

### **6. Developing a final Council Tax Support scheme**

It should be noted that a final scheme is dependant on the following factors:

- The outcome of the consultation;
- The passing of the Local Government Finance Bill and subsequent secondary legislation; and
- The bringing into force of the relevant provisions of the Welfare Reform Act 2012 and any secondary legislation.

The Council will enter into public consultation for eight weeks from the start of 24<sup>th</sup> September 2012.

The final proposal will be adopted by the full Council by 31<sup>st</sup> January 2013 and will be published on the Council's website once final approval has been granted.