



Council Tax Benefit is Changing

What do you think?

Foreword by the Leader of the London Borough of Sutton

I am committed to supporting our local communities, in particular those who are most vulnerable, during periods of significant change and in ensuring that our residents have the opportunity to contribute and influence our decision making.

Council Tax Benefit has previously been funded by the Department for Work and Pensions but from 1st April 2013 the Council will take responsibility for this, but with 10% less funding. This means we need to think about how we can deliver a fair and accessible Council Tax Benefit Scheme with about £1.4m less.

This is where I need your help. We have put a number of options together where we can make changes to Council Tax Benefit, but I want to know what you think. It's important to me that we protect the most vulnerable in society, so any proposed changes will **not** affect pensioners, disabled claimants or their partners, and families with dependent children under 5 years old. But, I need you to tell me how the options will impact on other groups and in which way. Giving us your view will help determine the scheme we can put in place with the least impact on other vulnerable residents.

We are planning to talk to as many people as possible about these changes and details of how you can get involved and share your views are contained within this document.

I'd like to stress that no decisions have been made about which options we will take forward. Your views will help shape the local Sutton Council Tax Benefit scheme that we put in place.

If you have any questions please do get in contact with us and if you would like this booklet in a different format, please do let us know. The contact details are at the back.



Councillor Ruth Dombey

Leader of the Council

Why are we consulting?

The Government plans to abolish Council Tax Benefit from 1 April 2013 and has asked all local authorities to develop a local scheme of support for customers on low incomes with help towards paying their Council Tax.

Council Tax Benefit has previously been fully funded; however, the Government has decided that the funding available for local schemes of Council Tax Support will be reduced. In Sutton this means we will have to save £1.4 million next year. It is likely that further savings will be required over the next few years, as more residents may require help to pay their council tax.

The Government is also allowing local authorities the power to amend some existing discounts and exemptions. Making some changes to discounts such as those for empty and unfurnished properties or those applied to second homes may help the Council to offset the amount of savings required.

These are challenging and difficult times for local government but here in Sutton we are committed to ensuring that our residents have the opportunity to get involved and tell us what they think about the proposed changes. Therefore, we will consult with you from 26 June 2012 to 17 September 2012 to get your views on what the new Council Tax Support scheme will be and what changes we should make to the Council Tax discount and exemptions.

What is Council Tax

Council Tax is a local tax set by the Council based on the valuation band 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 refuse collection, social services, environmental health and education. Some of the money collected is passed to the Greater London Authority to help fund police, fire and public transport services.

Most of the existing Council Tax discounts and exemptions, such as the 25% single person discount and the exemption for people who are severely mentally impaired and live on their own have not changed. However, there are some suggested changes with regards empty properties that we would like to hear your views on. A full list of Council Tax discounts and exemptions is available on our website at www.sutton.gov.uk

What is Council Tax Benefit

Some people receive Council Tax Benefit; it helps those people on a low or with no income to pay their Council Tax. At present the Government gives the Council all of the money we need to fund Council Tax Benefit.

The Government sets the rules regarding who can claim Council Tax Benefit. If somebody meets the criteria 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 the resident.

In Sutton last year (2011-2012) around £14 million was spent on Council Tax Benefit. Over the last few years, Council Tax Benefits have risen each year because more people are claiming.

What are the changes to Council Tax Benefit?

Under planned welfare reform, from next April, Council Tax Benefit will be abolished and instead all Councils must develop a Council Tax Support scheme. The Government will be giving us less money to provide this new scheme. The requirements for the scheme are set out in the Local Government Finance Bill, which is currently going through the Parliamentary process. If this planned legislation is passed, the Council will be expected to have a scheme in place by 31st January 2013.

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

- **There will be no reduction in the amount of help pensioners currently receive.** This means people who have reached the age for state pension credit will be assessed under a national scheme which will be decided by the Government. The national scheme is likely to be very similar to the current one.
- The impact on the most vulnerable should be considered when councils design their new schemes.
- The new scheme should encourage people to work and in particular should not act as a disincentive to working.

The new scheme will be designed to meet the needs of the local area and Local Authorities are allowed to decide the rules for their own Council Tax Support scheme. As a result there could be a risk that boroughs have very different schemes in place and so people could have varying experiences depending on where they live. We are working closely with our neighbouring councils to try and ensure, where possible, we have similar rules.

We want your views

Due to the tight timescales and the Council's commitment to a full and detailed consultation process, we are consulting before the legislation has been passed. We are seeking your views on a range of different options that could make up Sutton Council's Council Tax Support scheme in the future.

Approximately £1.4 million savings need to be made for the year from April 2013 to March 2014 in order to run the new Council Tax Support scheme. Due to the level of savings we need to make it is hugely important to us that you provide your views on which of the options you wish the Council to pursue and not to pursue in developing this scheme.

It is anticipated that everybody who receives Council Tax Benefit, **except** pensioners, disabled claimants and/or disabled partners and claimants with dependent children under 5, will be affected by the changes because they will have to pay something towards their Council Tax.

However, some may be affected more than others. The groups listed below have been identified by the Council as having potential to be affected:

- Those in a lower socio-economic position
- Families with children over 5 years old
- Lone parents with children over 5 years old
- Carers
- Full-time and part-time workers
- Single people and childless couples

We are committed to ensuring we provide support to our most vulnerable residents and want to ask your views on which groups you feel will be affected more than others.

We will then take this information and use it to create a scheme which helps to reduce the effect on those groups who are identified as being most affected by the changes.

What are the options? Helping you to understand the changes

There are many rules that determine the amount of Council Tax Benefit a claimant receives. The rules affect different groups of people.

Below you will find a brief description of the proposed changes to these rules, which combined with changes to council tax discount and exemptions could meet most of the £1.4 million saving required.

1. Capping the Council Tax Support to a Band D property.

In the current council tax benefit scheme a person's claim is worked out no matter how large their house is.

This could change so that the amount of help given is worked out using the council tax band for a smaller property. Changing this rule could make savings of £57,000.

2. Changing the amount of savings a person can have before benefits are awarded.

In the current council tax benefit scheme a person is not entitled to council tax benefit if they and their partner have combined savings of £16,000 or more.

This could change so that maximum amount of savings is reduced to £10,000. Changing this rule could make savings of £47,000

3. Remove second adult rebate from people below pensionable age.

In the current council tax benefit scheme 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 could change so that we no longer offer this discount. This rule change could make savings of £36,000.

4. Increase the % a working claimant pays towards their council tax.

In the current council tax benefit scheme a person can receive help to pay for all their council tax. The amount of help they receive depends on how much money they have coming in. If they receive more money than the minimum the law says they need to live on, for every extra £1 they receive they are expected to pay 20p each week towards their council tax.

This could change so people will pay 25p for every extra £1 they have in extra income. This rule change could make savings of £119,000

5. Changing the Lone Parent earned income disregard,

In the current council tax benefit scheme lone parents working 16 hours or more currently have the first £25.00 of their income ignored when working out their benefit.

This could change to bring the amount of lone parent income ignored into line with the rate for a couple, which is £10. This rule change could make savings of £23,000

6. Including 25% of the child benefit as an income

In the current council tax benefit scheme all of the child benefit paid to a person is fully ignored as an income.

This could change so that 25% of the child benefit received is included as an income. This rule change could make savings of £81,000.

7. Introducing a contribution for all non-working households of £3.55 each week.

In the current council tax benefit scheme all customers that are in receipt of job seekers allowance receive 100% of their council tax liability met.

This could change so that all non-working customers pay £3.55 each week towards their council tax. This rule change could make savings of £339,000.

8. Increasing contributions from other adult members of the household

In the current council tax benefit scheme a grown up son, daughter, friend or relative, referred to as a non-dependent, that lives with the claimant is expected to contribute towards the council tax bill.

This could change so the current contribution rates for a non-dependent are increased by 40%. This rule change could make savings of £87,000.

In addition, to introducing a local council tax support scheme the Government is allowing local authorities to change the amount of discount or exemption applied to certain categories of dwellings. The proposed changes are;

1. Remove the 10% discount currently allowed on second homes

In the current council tax rules councils are allowed to grant a discount of between 50% and 10% against the council tax liable. Sutton Council currently allows a 10% discount on second homes.

This could change so that there is no discount awarded on second homes. This rule change could generate savings of £21,000.

2. Remove the 100% exemption for unoccupied and unfurnished properties

In the current council tax rules councils must award an exemption to properties

that are unoccupied and unfurnished and can be awarded for a maximum of 6 months. This means no council tax is payable for the period of the exemption. If the property remains unoccupied after 6 months the full council tax charge will be due.

This could change so that the Council offers no discount for unoccupied and unfurnished properties. This rule change could generate savings of £282,000.

3. Remove the 100% exemption for uninhabitable properties, which are unoccupied and undergoing or requiring major repair or structural changes.

In the current rules councils must award an exemption to a property which is unoccupied and undergoing or requiring major repair or structural alteration and can be applied for a maximum of 12 months. This means no council tax is payable for the period of the exemption.

This could change so that the Council offers no discount for a property which is unoccupied and undergoing or requiring major repair or structural alteration. This rule change could generate savings of £103,000.

4. Remove the 100% exemption of properties that have been re-possessed by the mortgage provider.

In the current rules councils must award an exemption to properties that have been re-possessed by the mortgage provider. This means no council tax is payable for the period of the exemption. The exemption only ceases when the property is transferred or sold.

This could change so that the Council offers no discount for properties that have been re-possessed. This rule change could generate savings of £21,000.

5. Charge a premium for long term empty properties

In the current rules councils cannot charge a premium for properties that remain empty.

This could change and the council could apply a premium of up to 50% of the full council tax for homes that have been empty for longer than two years. This rule change could generate savings of £252,000

Using the above proposed changes for a local council tax scheme and by making the changes to the current council tax discounts and exemptions the council would make meet the shortfall in funding from Government.

While modelling the options for a local council tax scheme a number of alternative savings proposals have been considered and these are as follows:

1. Capping the Council Tax Support to a Band E or F property.

In the current council tax benefit scheme a person's claim is worked out no matter how large their house is.

This could change so that the amount of help given is worked out using the council tax band for a smaller property. Changing this rule and capping at Band E could make savings of £11,800 or alternatively capping at Band F could make savings of £2,100

2. Changing the amount of savings a person can have before benefits are awarded.

In the current council tax benefit scheme a person is not entitled to council tax benefit if they and their partner have combined savings of £16,000 or more. Claimant's savings are fully disregarded up to £6,000. There is a tapering or withdrawal rate that is applied between £6,000 and £15,999.

This could change so that maximum amount of savings is reduced to £12,000 or alternatively reduced to £8,000 and with this option also reducing the disregarded savings level from £6,000 to £4,000. Changing this rule and reducing the savings level to £12,000 could make savings of £32,000 or alternatively reducing the savings level to £8,000 could make savings of £63,000.

3. Set a minimum level of award at either £2, £1 or 50p

In the current council tax scheme there is currently no minimum level of award. A claim is assessed and if a claimant is entitled to anything the amount of the award is paid to help them meet their council tax payments.

This could change so that if a claimant qualified for £2 or less in support this would not be awarded. Changing this rule would achieve the following savings;

- Minimum level of award £2, would achieve £7,000 in savings
- Minimum level of award £1, would achieve £1,000 in savings
- Minimum level of award 50p, would achieve £400 in savings

4. Increase the % a working claimant pays towards their council tax.

In the current council tax benefit scheme a person can receive help to pay for all their council tax. The amount of help they receive depends on how much money they have coming in. If they receive more money than the minimum the law says they need to live on, for every extra £1 they receive they are expected to pay 20p each week towards their council tax.

This could change so people will pay 30p for every extra £1 they have in income. This rule change could make savings of £209,000. Or alternatively this could change so people will pay 27.5p for every extra £1 they have in income. This rule change could make savings of £167,000.

5. Changing the single person and couple earned income disregards

In the current council tax benefit scheme a single person or a couple working 16 hours or more currently have the first £5 and £10 respectively of their income ignored when working out their benefit.

This change to remove the amount of income ignored from a single person and a couple with no children.

- Removing the single person disregard only, would generate savings of £21,000
- Removing both the single person disregard and that of a couple with no children, would generate savings of £28,000

6. Including a percentage of the child benefit as an income

In the current council tax benefit scheme all of the child benefit paid to a person is fully ignored as an income.

This could change so that all of the child benefit received is included as an income. This rule change could make savings of £325,000. Alternatively, this could change so that 50% of the child benefit received is included as an income. This rule change could make savings of £162,000.

7. Increasing contributions from other adult members of the household

In the current council tax benefit scheme a grown up son, daughter, friend or relative, referred to as a non-dependent, that lives with the claimant is expected to contribute towards the council tax bill.

This could change so the current contribution rates for a non-dependent are increased by 30%. This rule change could make savings of £71,000. Alternatively this could change so the current contribution rates for a non-dependent are increased by 20%. This rule change could make savings of £56,000.

What effect could the changes have on you?

The Council has developed a number of case studies to help you understand what effect the changes might have on different groups of people using the options on page 7 above.

We want your help to shape our scheme and therefore may change the options discussed as a result of your feedback.

The case studies are based on real life scenarios, which means the customer group could be affected by other welfare reform changes proposed by the Government. Figures in the case studies below may have been rounded for ease of illustration.

Case Study 1

Mr and Mrs A have two children both aged over 5. Mr A is employed and they have a total weekly income of £201.85.

The family live in a privately rented house and receive housing benefit to help meet their rent. The property is in Band E and the annual council tax is £1769.30.

Their weekly council tax liability is £34.02 and they currently receive £34.02 in council tax benefit, which means they currently pay no council tax.

If the amount of help they can receive is capped at a Band D property they would have to pay £321.69 annually towards their council tax which equals £6.19 each week or £26.81 monthly.

Case Study 2

Mr B is single and is on a low income from working he has savings of £15,822.

Mr B lives in a Band A council flat and receives a small amount of housing benefit towards his rent. His annual council tax is £965.07.

His weekly council tax liability is £18.56 and he currently receives £13.49 in council tax benefit, which means he has to pay £5.06 each week or £21.92 each month towards his council tax.

If the maximum amount of capital is changes to £10,000 Mr B will not receive any help towards his council tax and will have to pay £18.56 each week or £80.43 monthly.

Case Study 3

Mrs C is single and has never claimed council tax benefit. She has her adult working daughter living with her who earns £211.54 weekly. Mrs C has claimed a second adult rebate and her personal income is unknown to the council.

Mrs C lives in a two bedroom Band B property which she owns. The annual council tax for the property is £1125.92.

Mrs C currently receives £1.62 each week in second adult rebate, which means she has to pay £20.03 each week or £86.80 each month towards her council tax.

If the rules change and there is no rebate offered for a second adult Mrs C will not receive any help towards her council tax and will have to pay £21.65 each week or £93.83 monthly.

Case Study 4

Mr and Mrs D have no children and have a total weekly income of £194.33.

They own their home which is a Band E property for council tax and the annual charge is £1,769.30

Their weekly council tax liability is £34.02 and they currently receive £22.46 in council tax benefit, which means they currently pay £11.56 each week or £50.09 monthly towards their council tax.

If the rules change and for every extra £1 in income they have to pay 25p instead of 20p each week towards their council tax they will receive £17.20 in local council tax support each week. This means they will have to pay £16.82 each week or £72.89 monthly towards their council tax.

Case Study 5

Ms E is a working lone parent with one child aged over 5 with a total weekly income of £252.14

Ms E lives a council house which is a Band C property for council tax and the annual charge is £1,286.76

Her weekly council tax liability is £24.75 and she currently receive £5.79 in council tax benefit, which means she currently pays £18.96 each week or £82.16 monthly towards her council tax.

If the rules change and the amount of money ignored from her earnings is reduced from £15.00 to £10.00 Ms E will receive £2.74 in local council tax support each week. This means Ms E will have to pay £22.01 each week or £95.38 monthly towards her council tax.

Case Study 6

Mr and Mrs F are a couple with 3 children all aged 5 or above. Mr F works and the total household income is £490.79 each week, which includes child benefit of £47.10.

The couple live in a council house and receive some housing benefit to help meet their rent. The property is a Band D property and the annual council tax is £1447.61. Their weekly council tax liability is £27.84 and they currently receive £15.49 in council tax benefit, which means they currently pay £12.35 each week or £53.52 monthly towards their council tax.

If the rules change and we include 25% of their child benefit (£11.78) as income in the calculation they will receive £13.07 council tax support each week. This means they will have to pay £14.77 each week or £64.00 monthly towards their council tax.

Case Study 7

Mr and Mrs G are a couple and both are unemployed their income is jobseekers allowance of £111.45 each week.

The couple live in a council house and receive some housing benefit to help meet their rent. The property is a Band D property and the annual council tax is £1447.61. Their weekly council tax liability is £27.84 and they currently receive £27.84 in council tax benefit, which means they currently pay nothing towards their council tax.

If the rules change and they are asked to contribute £3.55 each week they will receive £24.29 council tax support each week. This means they will have to pay £3.55 each week or £15.38 monthly towards their council tax.

Case Study 8

Mr and Mr H are a couple and both are unemployed their income is jobseekers allowance of £111.45 each week. They have an adult child living at home with them who earns £288.46 each week.

The couple live in private rented accommodation and receive housing benefit, which helps meet the majority of their rent. It is a Band E property for council tax and the annual charge is £1,769.30

Their weekly council tax liability is £34.02 and they currently receive £31.75 in council tax benefit, which means they currently pay £2.27 each week or £9.84 monthly towards their council tax.

If the rules change and the amount of money the adult son is asked to contribute increases will receive £30.87 council tax support each week. This means they will have to pay £3.15 each week or £13.65 monthly towards their council tax.

How can you give your views?

We will be talking to you for the next 12 weeks from Tuesday 27 June through to Monday 17 September 2012.

We have tried to ensure there are lots of different ways in which you can give us your views.

Roadshows

These roadshows will provide you with the opportunity to come and talk to us directly about the options being proposed that will make up the new Council Tax benefit scheme for Sutton.

They will **all** be held in Meeting Room 1 in the Civic Offices on the following dates and times:

- Friday 6th July, from 10am to 12:30pm
- Friday 13th July from 3:30pm to 6pm
- Tuesday 24th July from 6pm to 8:30pm
- Thursday 2nd August from 10am to 12:30pm
- Tuesday 7th August from 3pm to 5pm

Meetings

We will be working with Voluntary Groups in the area to ensure users and carers of their services are given the opportunity to have their say.

Online

Visit www.sutton.gov.uk/localisedcounciltax where you'll find all the information about the consultation, you can also complete the questionnaire online as well.

We will be carrying out a survey with our online Residents Panel.

Postal Survey

We will also be conducting a postal survey with a percentage of our current benefit claimants and with a percentage of those residents who do not receive Council Tax Benefit to ask them to complete the questionnaire.

Contact Details

You can contact us with your views on the options for the new Council Tax Support Scheme in the following way:

Web: <http://www.opinionsuite.com/sutton>

Telephone: 020 8770 5433

Email: consultation@sutton.gov.uk

Facebook: <http://www.facebook.com/lovesutton>

Twitter: @lbsuttonnews

How the decisions will be made

Once the consultation is complete the feedback will be collated and anonymised. This will be placed onto our Internet for you to read should you wish to and it will help show how your views have helped to shape the new scheme in Sutton.

The final options that will create Sutton's Council Tax Support Scheme will be reported to the Housing, Economy and Business Committee on 27th November and to full Council on 14th January 2013 who will make the final decision. Following this we will let you know how your views have shaped the new scheme and will write to you personally if you are going to be affected.