

Council Tax Support Consultation

Introduction

Over the last five years the council has seen its funding from government reduced by £214m. Further reductions of around £53m are expected over the next three years. The loss of funding means that the council has to think very carefully about where it spends its money and how best it can support its most vulnerable residents.

Despite the loss of government funding, the council has continued to run a Council Tax Support scheme that costs around £48m a year. Forecasts indicate the cost of the scheme would rise to around £58m a year within the next five years if the scheme stays as it currently is. These forecasts assume the number of people claiming support remains the same as it is now. This level of increase is difficult to support at a time when funding is being significantly reduced.

We therefore need to review the scheme so that we can limit the increase in costs over the next five years and ease the pressure a little on funding for other services.

We also now have an opportunity to change to a simpler scheme based on the roll out of Universal Credit.

Universal Credit was launched in Leeds during 2016. It is the government's new benefit scheme that replaces a number of benefits with a single benefit. Eventually, everyone who claims Housing Benefit, Income Support, Jobseekers Allowance, Employment Support Allowance, Child Tax Credits or Working Tax Credits will move onto Universal Credit instead. It will take until 2022 for everyone to move over to Universal Credit.

We want to introduce a simpler Council Tax Support scheme that uses the Universal Credit needs assessment for working out Council Tax Support. The scheme would be simpler to claim, simpler to understand and simpler to deliver.

The consultation is split into two parts:

- **Part A** provides information on moving to a simpler scheme based on the Universal Credit needs assessment. It also gives information on proposals to align the treatment of changes in circumstances that affect Council Tax Support with the way changes in circumstances are treated within Housing Benefit;
- **Part B** provides information on options to limit the increase in costs over the next five years.

We welcome your views on the proposals to change our Council Tax Support scheme.

Part A – proposals to move to a simpler scheme based on the Universal Credit needs assessment

How would the proposed scheme work?

When a customer claims Universal Credit, their financial and personal circumstances are assessed to decide how much Universal Credit they should get. The assessment takes into account whether the customer or their partner is disabled, whether they have children, have childcare costs etc.

Under our current Council Tax Support scheme, we also carry out a similar needs assessment. We also take into account how much income a customer has, including how much Universal Credit they receive and whether they get other benefit income.

Under the proposed Council Tax Support scheme, we would no longer carry out our own needs assessment and instead would use the Universal Credit needs assessment. We would also not take into account any benefit income received and would only take into account earnings or income from sources other than benefits.

All we would need to know is:

- Is the customer single or part of a couple?
- Does the customer (or their partner) have any income other than benefits?
- Does the customer (or their partner) have savings over £16,000

How is this different to the current scheme?

Parts of the new scheme will be the same as the current scheme:

- Pensioners will continue to be assessed as part of the government's national scheme for pensioners;
- The maximum support for working-age customers will continue to be limited to 75% of their Council Tax liability;
- Customers on Jobseekers Allowance will continue to be offered a Personal Work Support Package once they have been on Council Tax Support for six months. The package provides extra support to help jobseekers to prepare for and move into work, but Jobseekers who do not take up the extra support do not get any Council Tax Support after six months. We provide this extra support to Jobseekers so they have a better chance of improving their circumstances by moving into work.

But other aspects of the new scheme will be different:

- All income from benefits is ignored and anyone whose income comes only from benefits would get the maximum level of support;
- Single people with weekly income (not including benefits) lower than £73.10 a week get the maximum level of support and would see their Council Tax Support reduce by 15 pence for every £ their income is above £73.10;

- Couples with weekly income (not including benefits) lower than £114.50 a week get the maximum level of support and would see their Council Tax Support reduce by 15 pence for every £ their income is above £114.50;
- Anyone with savings over £16,000 would not get any support.
- Savings up to £16,000 are not counted in the assessment
- Council Tax Support is not reduced if there are other adults in the household.

How would customers be affected by the change?

Customers with lower incomes would get more help and those with higher incomes would get less. This table shows the average weekly amount of Council Tax Support that people get now and what they would get under the proposed scheme:

Customers non-benefit income:	What people get now on average	What people would get on average
no income	£13.50	£13.71
under £75.00	£11.96	£13.04
between £75 - £100	£10.44	£10.84
between £100 - £125	£8.13	£8.00
between £125- £150	£8.06	£6.43
over £150	£8.51	£3.62

Here you can see how many people (based on current claims) would get more or less Council Tax Support and how much more or less Council Tax Support they would get:

Change to entitlement:	Income below £75	Income £75- £100	Income £100-125	Income £125-£150	Income over £150
over £10 per week more	140	19	29	18	5
£5 - £10 per week more	541	73	135	59	39
£1 - £5 per week more	1,055	370	800	292	241
change less than £1	33,428	1,252	458	918	384
£1 - £5 per week less	0	305	535	630	918
£5 - £10 per week less	0	0	288	242	852
over £10 per week less	0	0	0	46	512

Generally, customers with low non-benefit incomes and those with other adults living with them would pay less, and those with higher non-benefit incomes would pay more.

Here are some examples of how much Council Tax people would need to pay under the proposed Council Tax Support scheme:

Weekly Council Tax payments for a single person living in a band A property would be:

- £3.41 if their only income was from benefits
- £3.41 if they earn below £73.10
- £7.44 if they earn £100.00
- £11.20 if they earn £125.00
- £13.63 if they earn more than £141.30

Weekly payments for a couple living in a band B property would be:

- £5.30 if their only income was from benefits
- £5.30 if they earn below £114.50
- £10.63 if they earn £150.00
- £18.13 if they earn £200.00
- £21.20 if they earn more than £220.81

When would the new scheme come into effect?

The new scheme would start on 1 April 2017.

- Existing customers already getting Universal Credit will move into the new scheme on 1 April 2017.
- Existing customers who do not get Universal Credit would move onto the new scheme when they move onto Universal Credit.
- New customers who could get Universal Credit but choose not to claim it, or are not entitled to it, will also have their Council Tax Support worked out under the new scheme rules.
- New customers from April 2017 who are not entitled to Universal Credit will have their claim worked out under the current rules until they move onto Universal Credit.

Government have said it will be another five years before everyone has moved onto Universal Credit, which means it will be five years before all customers in Leeds have moved onto the new Council Tax Support Scheme.

How do we propose to treat changes of circumstances for customers who have not moved over to Universal Credit?

Customers currently make a single claim for Housing Benefit and Council Tax Support.

Since Council Tax Support was introduced there have been changes made by the government to the way changes in circumstance are treated in Housing Benefit that have not been made to our Council Tax Support Scheme. This means that some changes in circumstances are treated differently in Housing Benefit and Council Tax Support. We would like to change our Council Tax Support Scheme so that it once again aligns with the Housing Benefit scheme in most ways.

At the moment we always adjust Council Tax Support from the date that the change happened.

We propose to change our scheme so that when someone has a change in their circumstances we will change their Council Tax Support from the same date that we will change their Housing Benefit.

Anyone who does not report a change in circumstances within one month of the change happening will only get any extra Council Tax Support that are entitled to because of the change, from the date they actually tell us about the change.

If someone has a change in their circumstances that means they are entitled to less Council Tax Support we will always reduce the Council Tax Support from the date the change happened, regardless of when the change is reported.

We would only change the Council Tax Support from a different date if the amount of Council Tax a person had to pay changed. Changing our scheme in this way will make it more important customers report any changes in their circumstances on time.

Part B – Proposal to reduce the money the Council spends on Council Tax Support

The proposals in Part A would reduce the scheme costs by around £400k in comparison to the cost of the current scheme. Nevertheless, Council Tax Support scheme costs are forecast to increase by around £10m over the next five years unless further changes are made.

Our preferred way of limiting the increase in Council Tax Support scheme costs is to replace the scheme of protections with a discretionary hardship scheme.

The table below shows the current cost of protecting 21,846 households from the 25% reduction in support, and what we think the cost could increase to in five years' time if we don't change anything.

	Number of Households	Cost of protections now	Likely cost of protections in five years time
War pensioners	33	£6,755	£8,200
Severe disability	5,146	£948,504	£1,154,000
Enhanced disability	8,426	£1,745,994	£2,125,000
Carer	2,268	£481,926	£586,300
Lone parent of a child under five	5,973	£1,040,144	£1,265,500
Total	21,846	£4,223,322	£5,139,000

When would the protection be removed?

Customers would keep their protection until they move onto Universal Credit. For most customers this will mean there will be no change to their protection until at least 2018/19 and for some there will be no change until 2021/22. This is because only single jobseekers are expected to move to Universal Credit over the next year and also because it will take five years for everyone to move onto Universal Credit.

Will customers be worse off?

Customers who are protected from the 25% reduction will get less Council Tax Support if protections are removed. But some customers will get more benefit overall when they move to Universal Credit.

- Some will be better off when they move on to Universal Credit. For example, someone who now gets £125.05 a week in Employment Support Allowance will get the equivalent of £146.17 a week when they move onto Universal Credit. This will give them an increase in their income of £21.12 a week.

- Some will see no significant change in the amount of income that they receive when they move on to Universal Credit. Many carers and lone parents are likely to receive a similar amount.
- No-one will be worse off, government have said that anyone who would get less Universal Credit will continue to get the same amount as they did before they moved on to the new benefit. This is called Transitional Protection.

This table shows how much more households who lose protection are likely to pay each week.

Council Tax Band	Single people	Couples
A	£3.41	£4.54
B	£3.97	£5.30
C	£4.54	£6.06
D	£5.11	£6.81
People in Council Tax Bands E to H will also have to pay more		

How will the new Discretionary Hardship scheme work?

We propose to introduce a new discretionary hardship scheme to replace the automatic protections that are in place now.

We recognise that everyone's circumstances are different. We will consider customer's individual circumstances, and where they can show that they are not able to pay the additional charge, they will get a discretionary hardship payment.

What other options are there?

1. We could take the extra money that we need to continue with the current scheme from other council services.

All Council Services are already under pressure to reduce costs, taking more money away will put services under greater pressure.

2. We could continue to protect customers who currently get maximum support, and reduce the amount of support we give to everyone else.

We would need to reduce the amount of support that everyone else gets each year to keep the scheme costs at current levels. That would mean the maximum support next year would be around 65%, and the following year it could be 55% and the level of support would probably reduce every year after that.

You can see below what that could mean for a single person who receives Jobseekers Allowance, or Employment Support Allowance of £73.10 a week, who pays £3.41 a week now.

Year	Maximum Support	Weekly amount to pay
2016-17	75%	£3.41
2017-18	65%	£5.00
2018-19	55%	£6.60
2019-20	45%	£8.00
2020-21	35%	£9.80
2021-22	25%	£11.70

3. We could limit who can claim Council Tax Support.

For example we could consider:

- Removing entitlement for people who do not receive a national welfare benefit.
- Increasing the age at which people are able to claim Council Tax Support from 18.
- Lowering the capital limit from £16,000.
- Limiting the length of time we will pay Council Tax Support for.

These options would reduce the amount of Council Tax Support we pay but would mean that some people affected would get no help at all towards their Council Tax. We are not proposing to make these changes, these are examples of options that could be considered.