



Brighton & Hove City Council

**Draft Council Tax Reduction Scheme
for people of working age for
consultation**

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**Brighton & Hove
City Council**



Council Tax Reduction (CTR) replaced Council Tax Benefit on 1 April 2013. It is a benefit people on a low income can claim from the council to get help with their Council Tax.

People of pensionable age are assessed under national rules which the council cannot change. They will continue to have their Council Tax Reduction worked out in the same way as it is now.

The government is continuing to reduce the grant it pays for these schemes, meaning there will be a shortfall of at least £5 million to help low income households in Brighton & Hove pay their Council Tax in 2015/16. The scheme set out proposes to absorb around £1.5 million of this.

Brighton & Hove's Council Tax Reduction scheme acts as a discount against your Council Tax bill. The scheme aims to limit the impact of the government's funding reduction on the most vulnerable households.

The council is required to review the scheme every year to consider if changes need to be made, which could affect how much residents need to pay.

No changes were made to the scheme in 2014/15 but the government have told us they will be considerably reducing the funding further over the next few years.

Following consultation with our partners and modelling the likely effects on residents of various options, we are proposing a number of changes to the scheme for 2015/16.

We need to have an agreed scheme in place by January 2015 and are now consulting on these draft proposals for 2015/16.

You can find out what other councils are doing at www.counciltaxsupport.org/schemes.

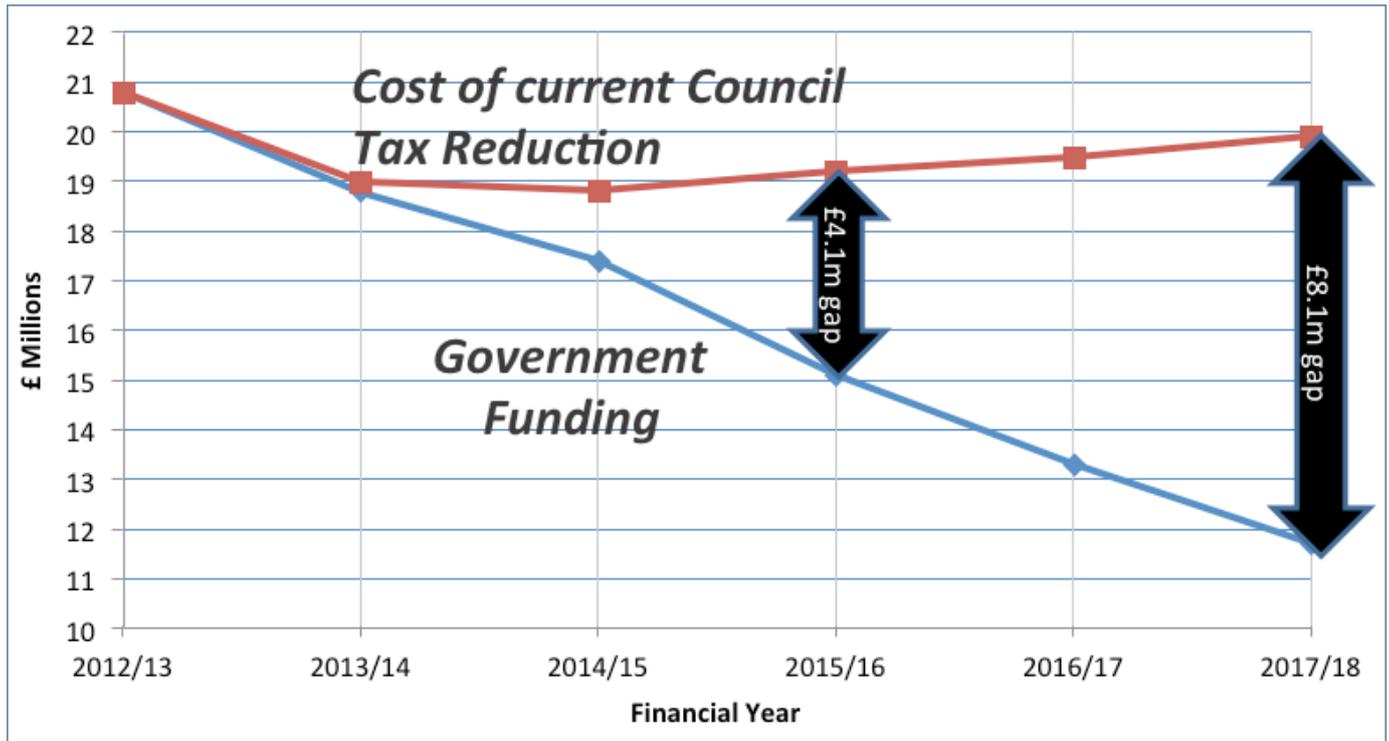
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Financial context

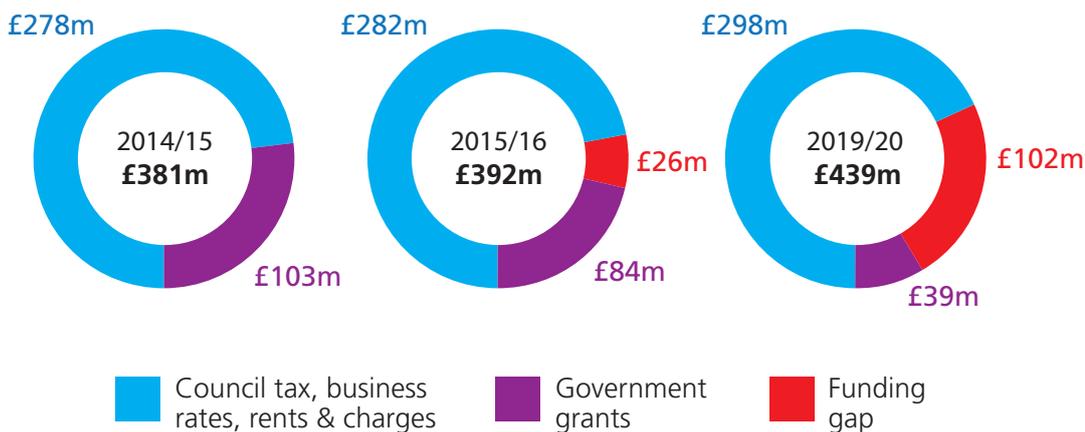
Since the scheme began, the council has absorbed around £1.3 million a year of the reduction from other council funds, with the rest paid by working age people who receive CTR as a minimum contribution towards their Council Tax.

The projected reduction in government funding for the scheme is shown below. The projected costs are based on the number of households claiming CTR in Brighton & Hove remaining at current levels.



The government is also severely reducing funding for all council services and the budget over the next five years will be challenging. Costs will increase due to inflation, population change and rising demand for services, and this will result in a large funding gap.

The biggest budget challenge is on the services funded by Council Tax, Business Rates, government grants and fees and charges (our general fund). We currently spend around £381 million on services like social care for vulnerable children and adults, libraries and transport with this fund. This doesn't include the money we receive for schools, Housing Benefit and expenditure from our Housing Revenue Account.



Council Tax Reduction for pensioners

There will be no changes, apart from the normal yearly uprating of allowances and premiums for pensioners from April 2015. This will mean pensioners will continue to receive the same level of support they do now. These rules are set nationally and the council cannot change them, despite the fact that the money the council receives to fund this part of the scheme is reducing.

Council Tax Reduction for working age people

Decisions on who is eligible to receive help paying Council Tax under Council Tax Reduction (CTR) will continue to be based on a person's income and savings and the amount of Council Tax they pay.

We will continue to provide a discretionary fund to help the most vulnerable households pay their Council Tax contribution in exceptional circumstances.

Proposed changes to Council Tax Reduction from April 2015 for working age people

Minimum contribution

Currently, all working age households are asked to pay a minimum of 8.5% of their Council Tax liability before CTR is awarded. From 1 April 2015, it is proposed that all working age people who claim CTR will have to pay 25% of their Council Tax Liability before any CTR is paid. It would be 35% in 2015/16 if the scheme was paid for solely from the funding provided by central government.

For current claimants, there will be a limit to the increase in the amount they have to pay of £5 per week from 1 April 2015 as a result of this change. This will only apply to families who are entitled to Council Tax Reduction at the point of change and will end after a year, or before that if the claim ends of the family move property.

The maximum amount of savings a working age person can have and still be entitled to CTR will be reduced from £16,000 to £6,000

This means anyone of working age who has more than £6,000 in the bank, building society, shares, premium bonds and other types of savings will no longer be eligible to claim CTR. Savings of up to £6,000 will be ignored when working out CTR.

The amount non-dependants are asked to pay towards the Council Tax will be doubled

A non-dependant is an adult who lives in a person's house who is not liable for the Council Tax themselves. Often they are grown up children who have not left home. Non-dependants are expected to pay some of the Council Tax before any CTR is paid. This amount depends on how much income that non-dependant has coming in. The amount non-dependants are expected to pay will be doubled.

| Non-dependant income per week | Current amount non-dependant has to pay per week | Amount non-dependant will have to pay from 1 April 2015 per week |
|---|--|--|
| Income Support/Income based JSA/ Income based Employment and Support Allowance | £0 | £0 |
| Gross income less than £188 | £3.70 | £7.40 |
| Gross income £188 - £325.99 | £7.45 | £14.90 |
| Gross income £326 - £406 | £9.40 | £18.80 |
| Gross income over £406 | £11.25 | £22.50 |

Child Benefit will be counted in the assessment of CTR

Currently, child benefit is not counted in the assessment of Council Tax Reduction (it was counted in the assessment of Council Tax Benefit before 2009). From 1 April 2015, Child Benefit will be included in the assessment of CTR for working age people. People receiving Income Support, income-based Job Seeker's Allowance and income based Employment & Support Allowance will not be affected by this.

Second Adult Rebate will no longer be paid to people of working age

Second Adult Rebate is part of CTR paid to people solely liable for Council Tax who share their home with another adult on a low income unrelated to them. Second Adult Rebate does not take account of the income or capital of the person making the claim. Anyone affected by this will be able to make a claim for standard CTR if they are on a low income.

Increase in earnings disregards for disabled people and carers

Currently, disabled people and carers who work have the first £20 of their earnings ignored when working out how much CTR they receive. From 1 April 2015, this amount will be increased to £30 per week.

Other national changes

In addition to these changes, the allowances and premiums in the CTR scheme for pensioners and working age people will be increased in line with national regulations.

Examples:

The following examples are made-up cases to help explain how the new scheme may affect you. The Council Tax figures quoted are based on the 2014/15 rates, which may be increased in 2015/16.



Couple of pensionable age – the same level of support as now

Michael and Pat are 73 and 71 respectively. They currently claim CTR and are entitled to a reduction of £17.92 a week, based on a means tests of their income from state pensions, Michael's work pension and Pat's savings. The full liability for their Band B property is £22.92 per week so they are paying £5.00 a week in Council Tax. Pensioners are assessed under national rules set by the government. Therefore, the reduction they are entitled to remains £17.92 and so the amount they have to pay is still £5.00 a week.



Laura makes a claim for Council Tax Discount
No Council Tax to pay

Pensioner – new claim

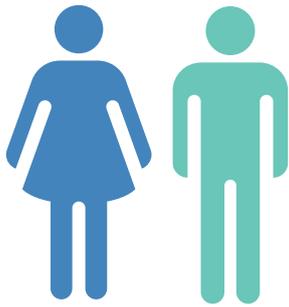
Laura is 68, she moves from Worthing to a new rented flat in Brighton in May 2015. Laura is on Pension Credit Guarantee Credit. Her new flat is a Band A property. When she moves she makes a claim for Council Tax Reduction, because she is a pensioner and because she is on Pension Credit Guarantee Credit, she receives full Council Tax Reduction and does not have to pay any Council Tax.



Couple in Band A property – standard working age case

Mary lives with her partner in a Band A property and they are both on Job Seekers Allowance. Their Council Tax is £19.65 per week and in 2014/15 they had to pay 8.5% of their Council Tax which is £1.67 per week.

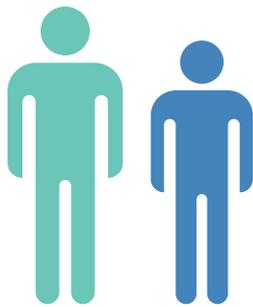
From April 2015 they will have to pay 25% of their Council Tax which means they will have to pay £4.91 per week.



**Savings over £6,000
Full Council Tax to pay**

Couple with savings – savings limit change applies

Cliff lives with his partner and they are liable to pay £26.20 a week Council Tax. They have £14,450 in savings and earn £85 per week from self-employed work. They have a claim for CTR and currently have to pay £2.23 per week. From April 2015, anyone of working age with more than £6,000 in savings will not be able to claim CTR. This means Cliff and his partner will have to pay their full Council Tax.



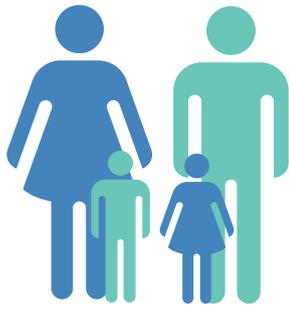
**Non-dependant
contribution doubled**

Single parent living with adult child – non-dependant change applies

Graeme is unable to work and claims Employment and Support Allowance. He lives in a Band B property with his grown up son Kevin and is liable to pay £22.93 Council Tax per week. Kevin works full time and earns £356 a week before tax.

Currently, Graeme has to pay 8.5% - £1.98 per week - of his Council Tax and Kevin is expected to contribute £7.45 a week before the rest of the Council Tax Reduction is paid. This means Graeme and Kevin have to pay a total of £9.43 per week.

From April 2015 Graeme will have to pay 25% - £5.73 per week - of his Council Tax and Kevin will be expected to contribute a total of £14.90 before the rest of the Council Tax Reduction is paid. This means from 1 April, Graeme and Kevin will have to pay a total of £20.63 per week.



Child benefit counted

Family in a Band C property - Child Benefit change applies

Chris and Sheila live with their two young children in a Band C property. Sheila earns £191.78 per week, and the family receive £116.06 Child Tax Credit and £34.05 Child Benefit a week. Their Council Tax liability is £26.21 per week and the child benefit is currently ignored when working out CTR. They receive £19.11 CTR per week and they have to pay £7.10.

From 1 April 2015, they will have to pay a minimum of 25% of their Council Tax before any CTR is paid and their Child Benefit will be counted when working out their income.

This means that from 1 April 2015, Chris and Sheila will receive £7.97 CTR and have to pay £18.24 per week.

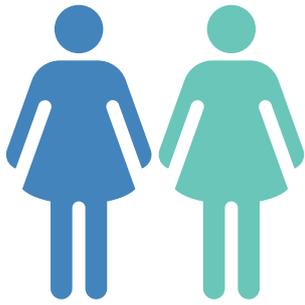


Earnings disregard increases to £30 for disabled people & carers

Single disabled person – increase in earnings disregards for disabled people and carers by £10 applies

Kerry lives in a Band A flat and is liable for £19.65 Council Tax per week. She works and earns £261.18 per week after tax. Kerry is disabled and receives a disability premium in the calculation of her benefit. She currently receives £4.99 CTR per week meaning she pays £14.66 Council Tax.

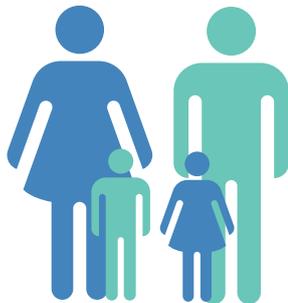
From 1 April 2015, Kerry will have to pay the minimum of 25% of her Council Tax. This would normally mean she would have to pay £3.24 more per week than she does now. However, as an additional £10 of her earnings will be ignored, she will only have to pay an extra £1.24 per week. This means her CTR reduction would be £3.75 per week and she would need to pay £15.90



**Second adult rebate
no longer applies**
Full Council Tax to pay

Single person sharing a house - Second Adult Rebate change applies

Jemini is 52, works full time and owns her home. Her Council Tax is £36.03 per week. Jemini’s friend lives with her, who claims Job Seekers Allowance. Jemini currently claims Second Adult Rebate and because her friend is on Job Seekers Allowance she gets £9.00 per week reduced from her bill. From April 2015 Jemini will no longer be able to claim Second Adult Rebate and she will have to pay the full Council Tax rate.



**£5
limit**

Family in Band E property - £5 limit applies

George and Lynsay live with their four children in Band E property and are on Income Support. They are liable for £36.03 per week Council Tax. They claim CTR and at present have to pay 8.5% of their Council Tax, which works out at £3.06 a week.

From April 2015, the standard contribution working age people will have to make towards their Council Tax if they are on Council Tax Reduction will be 25%. This would mean that George and Lynsay would have to pay £9.19 per week, an increase of £6.13. However, because they were already claiming Council Tax Reduction, they will receive transitional protection and the increase will be limited to £5 per week meaning they have to pay £8.06 per week. If George and Lynsay move or end their claim, this transitional protection will end. Otherwise, it will end after a year.