

Appendix 2

Draft Brighton & Hove Council Tax Low Income Discount Scheme from 1 April 2013

Support for Council Tax for people of pensionable age will be provided through a means tested discount equivalent to what they would have been entitled to under the previous Council Tax Benefit (CTB) system.

The Government has committed to protecting pensioners from the impact of changes to the Council Tax Benefits System. Instead of receiving Council Tax Benefits, eligible pensioners will receive a discount on their Council Tax but this will for the same amount as they would have received under Council Tax Benefit, assuming no other changes in their circumstances. There will be a presentational difference because they will see a discount on the face of their Council Tax Bill rather than receiving a benefit payment. Existing pensioner claimants will not need to make a new application and will be automatically transferred from receiving Council Tax Benefits to receiving a Council Tax discount.

Support for Council Tax for those of working age will be provided through a means tested discount and in 2013/14 will take into account similar criteria to the current Council Tax Benefits scheme in deciding who is eligible.

This means that decisions on who is eligible to receive help with paying their council tax will take into account the same things as was the case under Council Tax Benefits, for example other state benefits, earned income, savings. It makes the change from the old system to the new system as simple and clear as possible in terms of the application process that will be required and minimises disruption for existing claimants. It will be very similar to the protected scheme that will continue to run for people of pensionable age.

The Council Tax discount for people of working age on a low income will be assessed on the basis of 90% of full council tax liability.

If a household qualifies for Council Tax Discount, they will be assessed on the basis of 90% of their full council tax liability. The actual amount that an individual pays will depend on the means test and any other discount that may apply.

The earnings disregard for single working age people will be doubled from £5 to £10 per week

The work incentives in this scheme will be improved for single people. If a single person receives an income from working they will be treated as though they do not receive the first £10 of that income when their Council Tax Discount is worked out. This is designed to help work incentives. No changes in the earnings disregard are proposed for couples (currently £10) or families (currently £25) are proposed.

There will be a cap on the maximum detriment that any household faces of £3 per week from 2012/13 to 2013/14 as a result of the introduction of the Council Tax Low Income Discount assuming there are no other changes in circumstances

For some households in higher banded properties (who are likely to be larger families) when their Council Tax Discount is calculated using 90% of their full Council Tax liability they may face a significant increase in costs as a result of this new scheme. Therefore it is proposed that the increase will be capped at £3 per week. (Other changes such as increases in income which would also reduce the award of the Council Tax Discount will not have the same protection).

There will be a £100,000 per annum discretionary fund to provide additional support in exceptional circumstances to the most vulnerable

Households will be able to make applications to have up to the full amount of their Council Tax met through this fund in exceptional circumstances. The Council will set out the process for applying to this fund, the criteria that will be used, how decisions will be made and how long awards will be made for.

Summary

This means most households of working age will pay something towards their Council Tax and there will be extra help for the most vulnerable in exceptional circumstances

Examples:

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

Michael and Pat are 73 and 71 respectively. They currently claim Council Tax Benefit and their award of £17.11 a week is based on means testing their income from state pensions, Michael's work pension and Pat's savings. The full liability for their band B property is £22.11 per week so they are paying £5.00 a week in council tax. When the Council Tax Discount is introduced they receive a bill which says they now receive a discount rather than benefit but the amount they are entitled to is the same at £17.11 and so the amount they have to pay, £5.00, also remains the same.

Pensioner – new claim

Laura is 68, she moves from Worthing to a new rented flat in Brighton in May 2013. 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 Discount, because she is a pensioner and because she is on Pension Credit Guarantee Credit she receives full Council Tax Discount 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 £18.95 per week and in 2012/13 they receive full Council Tax Benefits. They will automatically be assessed for Council Tax Discount and they will receive a discount of 90% on their full liability which is worth £17.05 per week. They will therefore have to pay £1.90 a week themselves in Council Tax.

Family in Band F property - £3 cap applies

James and Danielle live with their four children in a Band F property. James works but is currently sick and receives statutory sick pay, the family also receive child benefit and tax credits. Their Council Tax is £41.06 per week and they currently receive full Council Tax Benefit. They will automatically be assessed for Council Tax Discount and they will receive a discount of 90% on their full liability which is worth £36.95. This would leave them in theory having to pay £4.11 a week themselves in Council Tax, compared with £0 the previous year. However this would be capped at £3.00 in the first year. Note that if this family had not previously received Council Tax Benefits and this was a new application they would have to pay all of the £4.11 per week based on a 90% discount.

Single person in work – earning disregard applies

Ahmed is 23 and shares a Band B flat with one housemate. He earns £100 per week. His share of Council Tax is £11.05 per week. He currently receives partial Council Tax Benefits of £7.75 per week which is calculated on the basis of the first £5 of his earnings being disregarded, so he pays £3.30. When the Council Tax Discount is introduced the amount he has to pay is calculated in two steps. Firstly the maximum discount he could receive would be 90% of his £11.05 liability. Secondly the means test is applied. If there was no change to the earnings disregard he would have to pay £4.40 per week. However an increase in the earnings disregard from £5 to £10 means he now has to pay £3.40, only 10 pence more than under Council Tax Benefits.

