

# Council Tax Support

The replacement for Council Tax Benefit



## Background

- Council Tax Benefit (CTB) is ending from April 2013.
- Replaced by Local Council Tax Support (CTS).
- Part of Government's "localism agenda".
- Primary legislation still not passed – expected end-October.
- Secondary legislation expected mid-November.
- For people of pensionable age there is no real change
  - the regulations prescribe the "local" scheme which is much the same as CTB.

## Background

- For people of working age each council largely sets their own scheme (some elements are prescribed (e.g people from abroad)).
- Guidance given: Local authorities should ensure that local schemes lift the poorest off benefits and support them into work. Delivering the positive incentives to work that will reduce poverty and reliance on council tax support in the long term.”
- Local authorities have also been reminded of their duties under: the Equality Act 2010; the Child Poverty Act 2010; the Armed Forces covenant and the Housing Act 1996

## Financial consequences - SCC

- CTB is fully funded through Government subsidy.
- For CTS the Government will give a grant equivalent to 90% of projected CTB expenditure.
- This is a reduction of about £1.9 million in Southampton.
- But – as pensioners are protected all the impact is on people of working age.
- And – grant takes no account of any council tax increase, increase in take-up or reduction in collection rate.
- True impact in Southampton is about £2.5 million (although final grant figures won't be known until December)

# Designing a scheme for Southampton

- The council's financial position means we can't make up the £2.5 million loss without cutting other services further.
- So we needed to find a scheme that reduces the benefit paid to working age people by this amount.
- This equates to a 25% reduction in benefit paid to people of working age.
- We are limited in what can be achieved, both by time and by capabilities of our computer system.

# Designing a scheme for Southampton

## The process

- Model options May/June
- Management Board of Directors – July
- Cabinet Member Briefing - June
- Cabinet – agree draft scheme - August
- Consultation with Major Preceptors - August
- Public consultation – through to 16<sup>th</sup> December
- Full Council decision – 16<sup>th</sup> January
- Annual billing - February
- Implementation - April

# Designing a scheme for Southampton

## Options considered

- Percentage top slice – i.e. reduce everyone's benefit by same percentage.
- Liability top slice – reduce CTax used by a percentage.
- Restricting the council tax band.
- Change the taper.
- Introduce a minimum benefit (don't pay less than (say) £3).
- Change capital allowances.
- Change income disregards.
- Stop second adult rebate.
- Increase non-dependant deductions.

# Designing a scheme for Southampton

## The draft scheme

- Cabinet agreed to go for a 25% top slice
  - i.e calculate the benefit as now but then reduce by a quarter.
- But protect war pensioners – to comply with Armed Forces Covenant.
- Keeps all of the features of the current scheme, such as premiums, non-dependant deductions and disregards.
  - So takes account of needs of vulnerable groups.
- Work incentives improved
  - Effect of the taper reduced to 15%



# Designing a scheme for Southampton Consultation

- Written to all CTB recipients and sent a leaflet.
- Information online together with a survey form.
- Leaflet in Council offices.
- Message on call centre.
- We would like to know:
  - Is what we are proposing as fair as it can be?
  - Are there any unforeseen consequences?
  - Are we disproportionately affecting particular groups?
  - Are there better alternatives?

# Transitional Grant

Announced last week

- £100 million for councils whose scheme:
  - Restricts any cut for people on full benefit to 8.5%
  - Limits the taper to 25% or less
  - Avoids a sharp reduction in benefit for those entering work.
- Our share is £379,000, but accepting it means we could only save up to £1.3 million of benefit cost.
- Restrictions mean it is essentially a defined scheme with little opportunity for localism

# Risks

## General

- Late change
- Short timescale
- Modelling incorrect
- Challenge (to consultation, equalities impact or drafting)

## Financial

- Claimant numbers
- Collection rate
- Amount of grant

## Impact on claimants

- Average loss of benefit £191 a year.
- Many will be paying for the first time and will find it hard to afford this.
- Council Tax collection will follow the standard (statutory) process.
- Non-payment could result in a summons, charges added to the bill, attachment of benefit, bailiffs, etc.