



COUNCIL TAX BENEFIT

TOWN COUNCIL MEETING

8 OCTOBER 2012

The purpose of this report is to provide a summary of the Isle of Wight Council's proposals for responding to the government's reduction in funding Council Tax Benefit as the basis for a contribution to the current consultation should Members feel it appropriate.

No. DETAIL

1) INTRODUCTION

- a) The government has informed local authorities that as from 1 April 2013 the funding for Council Tax Benefit (CTB) will be cut by 10% and local authorities can make their own decisions for the continuation of the Benefit in their area.
 - b) For the Island, with about 15,000 residents qualifying to claim CTB, the cost of CTB is predicted to be £13.7m in 2013/14 with the new incoming funding amount expected at £12m: a shortfall of £1.7m.
 - c) As the government's scheme makes no allowance for growth in need for CTB, the Isle of Wight Council (IoWC) estimates that a further £200k will be needed for this purpose, making the shortfall £1.9m.
 - d) A further significant factor is that the government has stipulated that residents of pensionable age must not be affected by these changes and their CTB be fully protected. As 49% of those in receipt of CTB on the Island are of pensionable age, the impact on working age claimants to fill the £1.9m funding gap would be a cut of 25%, or some £300 a year.
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2) OPTIONS

- a) The options range between not reducing CTB, finding the £1.9m by reallocating funding from other services, and passing on to working age tenants the whole of the reduction.
 - b) The detailed paper that was adopted by the Cabinet at its meeting of 11 September rejected both extremes on the grounds that the first would have too much impact on other services or require an excessive increase in council tax, and the other too great an effect on residents in need.
 - c) The paper identified five options. Three of these are variations on the same approach:
 - *Option 1:* Claimants only entitled to 75% of the current level of support and required to make a contribution of 25% at an average of £233 a year. Would achieve £1.75m of the required £1.9m funding shortfall.
 - *Option 2:* Claimants only entitled to 80% of the current level of support and required to make a contribution of 20% at an average of £188 a year. Would achieve £1.4m of the required £1.9m funding shortfall.
 - *Option 3:* Claimants only entitled to 85% of the current level of support and required to make a contribution of 15% at an average of £141. Would achieve £1.05m of the required £1.9m funding shortfall.
 - d) *Option 4:* Claimants receive 100% support with no requirement for a contribution. Would require a 2.4% council tax increase which, added to the proposed 2.5% increase next year would make the total increase 4.9%.
 - e) *Option 5:* Limit the council tax support to a maximum of 80% of council tax liability for working age claimants (except those in receipt of a range of disability related benefits) and achieve additional savings by other adjustments to the system. These include:
 - limiting council tax support to the maximum available to band D properties: estimated to save £52,000;
 - abolishing the current 10% council tax discount on second homes and requiring second home owners to pay the full council tax: estimated additional income £500k; and
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- reducing the 100% exemption for properties which are empty and undergoing repair or major structural alteration to 75%: estimated additional income £250k.
 - f) The IoWC has formally adopted Option 5 as its preferred option for the purposes of the consultation it is currently carrying out.
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3) HOUSING BENEFIT

- a) It is important to be aware that 85% of Island residents that qualify for CBT also depend on Housing Benefit.
 - b) There will be further reductions in the level of this benefit introduced in 2013/14 that have not yet been clarified but are likely for most to more than double the impact on their available income of the CBT changes.
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4) CONSULTATION

- a) The CBT changes have to be in place by 1 April 2013 and the final decision on them is scheduled to be made at the full Council meeting of 16 January 2013.
 - b) The consultation was opened on 24 September and will close on 30 November.
 - c) Both the consultation document and the 30-page Cabinet paper on the subject are available from the Town Council's web site by following [this link](#).
 - d) Members are asked to consider a contribution to the consultation on behalf of the Town Council.
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