

Committee: Cabinet

Date: 9 November 2020

Wards: All

Subject: Council Tax Support Scheme 2021/22

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Mark Allison

Contact officer: David Keppler, Head of Revenues and Benefits

Recommendations:

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1. That the uprating revisions for the 2021/22 council tax support scheme detailed in the report be agreed, in order to maintain low council tax charges for those on lower incomes and other vulnerable residents
 2. That Cabinet recommends to Council that it adopts the proposed revisions to the 2021/22 scheme.
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. This report details the proposed revisions to Merton's adopted council tax support scheme to ensure that the level of support awarded stays in line with the old council tax benefit scheme had it continued and therefore residents are not worse off due to the new scheme.
- 1.2. That Cabinet recommends to Council that it agrees to implement recommendation 1 and 2.

2 DETAILS

2.1. Council Tax Support Scheme 2021/22

- 2.2. As part of the Spending Review 2010, the Government announced that it intended to localise council tax benefit (CTB) from 1 April 2013 with a 10% reduction in expenditure. These plans were included as part of the terms of reference for the Local Government Resource Review and the then Welfare Reform Bill contained provisions to abolish CTB.
- 2.3. Following a formal consultation exercise full Council agreed on the 21 November 2012 to absorb the funding reduction and adopt the prescribed default scheme in order to maintain low council tax charges for those on lower incomes and other vulnerable residents. CTB was formally abolished with effect from 1 April 2013
- 2.4. Council have subsequently agreed to continue with the same scheme, subject to revisions on an annual basis for 2014/15, 2015/16, 2016/17, 2017/18, 2018/19, 2019/20 and 2020/21.
- 2.5. Each year the Government "uprate" the housing benefit scheme and the new council tax support scheme for pensioners. This is where state pensions and benefits are increased by a set percentage and the Government also increase the applicable amounts and personal allowances (elements that help identify how much income a family or individual requires each week before their

housing benefit starts to be reduced) and also non dependant deductions (the amount a non child who lives with the claimant is expected to contribute to the rent and/or council tax each week).

- 2.6. The Government have stated that under the new local council tax support scheme pensioners must not be worse off and that existing levels of support for them must remain and this protection will be achieved by keeping in place existing national rules, with eligibility and rates defined in Regulations broadly similar to those that previously existed. This is known as the Prescribed Pensioners scheme.
- 2.7. When full Council adopted the Governments default scheme in November 2012 it was not clear what would happen with regards to the uprating of the default scheme from April 2014 onwards. Advice received from the then Department of Communities and Local Government (DCLG) at the end of September 2013 stated that if a Council did not formally agree a revised scheme for the following financial year which would include any “uprating” then its local scheme for the previous year would automatically become its default scheme and as a consequence the “uprating” would not take place and many residents would face an increased council tax bill.
- 2.8. This means that if Merton wants to continue with its council tax support scheme which is broadly similar to the old council tax benefit scheme it would have to formally consult and agree on the revised “uprating” each year. Merton has subsequently agreed this approach in prior years and is now seeking agreement to the same for 2021/22.
- 2.9. It is estimated that if the uprating was not applied the expenditure of the scheme, if everything else remained constant, would be approximately cost neutral. Increases in payments for non-dependants living in households would not be applied and some residents receiving disability benefits or premiums could face higher council tax bills.
- 2.10. The Government will uprate the housing benefit scheme from the 1 April 2021 and the detail of this process is unlikely to be known until early December 2020. The Government will also uprate the prescribed pensioner scheme for council tax support from 1 April 2021, with the details announced in December 2020. Once the detailed information is known it is proposed to use the data from these to uprate the council tax support scheme.
- 2.11. In 2020/21, the Government introduced increases to disregarded earnings and grants and loans for the self-employed to support people during the COVID-19 pandemic. These resulted in increases to Universal Credit and other DWP benefits which reduced council tax support for our residents. The Council awarded the difference in the form of a hardship reduction as part of the Council Tax Hardship facility, however the Council was unable to amend the disregards set out in the Council Tax Support Scheme.
- 2.12. The proposal for the 2021/22 council tax support scheme is to allow any in-year changes to disregards or elements of the Housing Benefit scheme or Prescribed Pensioners scheme that will benefit residents.
- 2.13. These in year changes will be approved by the Section 151 officer of the council. However, the Council’s decision making process will be followed for any changes.

- 2.14. The uprating of the council tax support scheme will be effective from the 1 April 2021
- 2.15. A formal consultation exercise regarding the proposed revision of the scheme was undertaken between 1 September 2020 and 12 October 2020. Only 15 responses were received, 11 opted to apply the uprating and 4 opted not to apply the uprating. Only 13 responded to the question asking if the resident completing the consultation was in receipt of council tax support. Of these only 1 was in receipt of council tax support. One comment was received which was in favour of ensuring that the scheme should be changed to ensure residents did not lose out due to any covid changes. Although one comment stated that the scheme should not be changed.
- 2.16. This level of response is in contrast to the consultation exercise undertaken in the summer of 2012 when the Council first proposed to absorb the funding reduction and ensure that no Merton residents would be worse off due to the change in scheme. Then there were 1,007 responses of which 820 opted to retain the same level of support as council tax benefit and keep the level of contribution towards the council tax down for eligible applicants. Only 69 opted to implement a new council tax support scheme that's offers less assistance and means that certain groups of people would have to pay more council tax.
- 2.17. The Council has also consulted with our major precepting authority, the Greater London Authority (GLA).

3 ALTERNATIVE OPTIONS

- 3.1. The only alternative option for the Council Tax Support Scheme based on the consultation undertaken would be not to revise it and not uprate the scheme and continue with the existing scheme. This would result in some of the poorest residents facing increased council tax bills from April 2021

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. A consultation exercise has been undertaken and the results of this are detailed in 2.15 and 2.17 and 2.18 above

5 TIMETABLE

- 5.1. The key milestones for council tax support scheme are detailed below:

| Task | Deadline |
|---|--|
| Consultation with public and precepting authority on proposed change to the scheme | 1 September 2020 to 12 October 2020 |
| Report to full Council for agreement to proposed change to the scheme | 18 November 2020 |
| Detailed analysis of the housing benefit and prescribed pensioner schemes uprating to establish exact parameters to be applied for the uprating of the council tax support scheme | December 2020– or as soon as the information is available from the DWP |

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| Deadline for agreement of amended scheme | 11 March 2021 |
| Testing of IT software for amended scheme | February 2021 |
| Implement amended scheme | 1 April 2021 |

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. Based on levels of council tax support as at October 2020, it is estimated that £13.656 million will be granted in council tax support for 2021/22 assuming a 2% increase in council tax from April 2021. This figure includes the Greater London Authorities share of the scheme (£2.818 million), the cost for Merton is £10.837 million.
- 6.2. The council tax support expenditure for 2020/21 could further increase if there is an expected increase in claims when the furlough scheme ends.
- 6.3. The council has recently submitted its Council Tax Base Return (CTB) to Government. This is based as at October 2020 and incorporates the latest information on council tax support and discounts and exemptions. This will be used to calculate the Council Tax Base for 2021/22 and the MTF5 2021-25 will be updated as appropriate during the budget process
- 6.4. The impact of COVID-19 has resulted in an increase in the level of council tax support. This results in a reduction in the yield from council tax to support council services. This is the first time since the scheme was introduced that the adjustment for reduction in taxbase as a result of local council tax support has increased as demonstrated in the table below:-

| | CTB Oct.2013 | CTB Oct.2014 | CTB Oct.2015 | CTB Oct.2016 | CTB Oct.2017 | CTB Oct.2018 | CTB Oct.2019 | CTB Oct.2020 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Reduction in Council Tax Base due to Local Council Tax Support Scheme | 10,309.31 | 9,686.64 | 9,099.90 | 8,639.20 | 8,192.10 | 8,177.10 | 7,688.10 | 8,320.70 |
| Change in CT Base | | (622.67) | (586.74) | (460.70) | (447.10) | (15.00) | (489.00) | 632.60 |
| % Change | | -6.04% | -6.06% | -5.06% | -5.18% | -0.18% | -5.98% | 8.23% |

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. Under the Local Government Finance Act 1992, as amended by the Local Government Finance Act 2012, ("the Act") every billing authority in England is required to make a Council Tax Reduction Scheme (CTRS). Merton refers to its CTRS as its Council Tax Support Scheme.
- 7.2. Each financial year every billing authority in England is required to consider whether to revise or replace its CTRS. The Act imposes certain procedural requirements which must be satisfied before a billing authority can make any

revisions, including a requirement to consult persons who are likely to have an interest in the operation of their CTRS.

- 7.3. The statutory consultation is intended to ensure public participation in the decision-making process. In determining what revisions the Authority should make to its CTRS, if any, it must have regard to the requirements of the Act, including the outcome of the consultation and the public sector equality duty referred to below. The outcome of the consultation is considered elsewhere in this report.
- 7.4. If the Authority's CTRS is to be revised as proposed the decision to do so must be made by Full Council no later than 11 March 2021 to enable the revisions to come into force on 1 April 2021.
- 7.5. As with any public law decision of the Authority it may be challenged by way of an application for judicial review.
- 7.6. If the revised scheme is not agreed by 11 March 2021 then the scheme the Council administered for the previous year (2020/21) would become the default scheme for 2021/22.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. A formal consultation exercise has been undertaken. The results of this are detailed in 2.15, 2.17 and 2.18 above.
- 8.2. Any changes to the council tax scheme which results in reductions of support will mean some residents facing an increase in their council tax bills. Some of these residents, due to the yearly uprating undertaken by the DWP, would not have previously been faced with increased council tax bills. In the past it has sometimes proved difficult in collecting council tax from residents who are on limited income and or benefits.

In considering the proposed revisions to the Council Tax Support Scheme, upon which the Authority is required to consult, the Cabinet must consider the Council's Public Sector Equality Duty under Section 149 of the Equalities Act 2010 and to have due regard to the need to:

- a) Eliminate unlawful discrimination, harassment and victimisation
- b) Advance equality of opportunity between persons who share a protected characteristic and persons who do not, and
- c) Foster good relations between people who share a protected characteristic and those who do not.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. None for the purpose of this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. The Council will need to continue to closely monitor the cost of the council tax support scheme to ensure it is affordable for future years. Although in previous years we have not seen an increase in caseload, it is possible that the full impact of the welfare reform could result in more families located in

inner London moving into Merton which would result in an increase in council tax support expenditure

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

11.1 None

12 BACKGROUND PAPERS