

## **Committee: Council**

**Date: 19 November 2014**

Wards: All

## **Subject: Change to Council Tax Support Scheme**

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Councillor Mark Allison

Forward Plan reference number:

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### **Recommendations:**

- A. To agree to the uprating changes for the 2015/16 council tax support scheme detailed in this report in order to maintain low council tax charges for those on lower incomes and other vulnerable residents. .

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## **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. This report details the proposed minor changes to the 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 full Council agrees to implement recommendation A above

## **2 DETAILS**

- 2.1. 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 as it currently stands, the Welfare Reform Bill contains provisions to abolish CTB.
- 2.2. Following a formal consultation exercise full Council on the 21 November 2012 agreed 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.
- 2.3. On the 20 November 2013, full Council agreed to continue with the same scheme into 2014/15 although it agreed to “uprate” the scheme.
- 2.4. 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).

- 2.5. 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.
- 2.6. 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. At the end of September 2013 advice was received from the Department of Communities and Local Government 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.
- 2.7. This means that if Merton wants to continue with a 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 “uprating” every year.
- 2.8. It is estimated that if the uprating was not applied the expenditure of the scheme, if everything else remained constant, would reduce by approximately £30,000 for the year.
- 2.9. The Government will uprate the housing benefit scheme from the 6 April 2015 and the detail of this process is unlikely to be known until early December. The Government will also uprate the Prescribed pensioner scheme for council tax support from 1 April 2015. Once the detailed information is known it is proposed to use the data from these to uprate the council tax support scheme.
- 2.10. The uprating of the council tax support scheme will be effective from the 1 April 2015.
- 2.11. A formal consultation exercise regarding the change of the scheme was undertaken between 18 August 2013 and 12 October 2014. Only 23 responses were received, 11 opted to apply the uprating, 11 opted not to apply the uprating and 1 did not say. Only one comment was received – *“Adopting option 2 would severely disadvantage Merton residents”* No reasons or comments were received from those opting not to apply the uprating. The Citizens Advice Bureau fully supported the option to apply the uprating.
- 2.12. This level of response is in stark 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.

- 2.13. The Council has also consulted with our major precepting authority, Greater London Authority.

### **3 PROPOSAL**

- 3.1. That, in line with one of the key principals agreed at Council in July 2011 to keep the level of council tax down for residents, it is proposed that the Council undertakes an "uprating" of the council tax support scheme for 2015/16, so that residents who currently get financial support to pay their council tax through the council tax support scheme - who are not pensioners - continue to be assisted as if the council tax benefit scheme was still in place.
- 3.2. The percentage increases to applicable amounts and personal allowances for the housing benefit scheme will be used to uprate Merton's council tax support scheme.
- 3.3. The percentage increase for non dependant deductions for the Prescribed pensioner scheme for council tax support will be used to uprate Merton's council tax support scheme
- 3.4. These changes will keep the council tax support scheme in line with the old council tax benefit scheme had it continued and ensuring that residents receive a similar level of council tax support as if the old scheme had continued, in a similar way to the prescribed pensioners scheme.

### **4 ALTERNATIVE OPTIONS**

- 4.1. The only alternative option would be not to undertake the uprating of the scheme and continue with the existing scheme. This would result in some of the poorest residents facing increased council tax bills from April 2015.

### **5 CONSULTATION UNDERTAKEN OR PROPOSED**

- 5.1. A consultation exercise has been undertaken and the results of this are detailed in 2.11 above.

### **6 TIMETABLE**

- 6.1. The key milestones for the Council are detailed below:

Task	Deadline
Consultation with public and precepting authority on proposed change to the scheme	August/October 2014

Report to full Council for agreement to proposed change to the scheme	20 November 2014
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 2014 – or as soon as the information is available from the Department of Work and Pensions
Deadline for agreement of amended scheme	31 January 2015
Testing of IT software for amended scheme	February 2015
Implement amended scheme	1 April 2015

## **7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 7.1. Based on current expenditure for 2014/15 it is estimated that £12.8 million will be granted in council tax support for 2015/16 assuming there is no change in the council tax.
- 7.2. It is estimated that if the uprating was not applied the expenditure of the scheme, if everything else remained constant, would reduce by approximately £30,000 for the year
- 7.3. The council has recently submitted its Council Tax Base Return (CTB) to Government. This is based as at October 2014 and incorporates the latest information on council tax support and discounts and exemptions. This will be used to calculate the Council Tax Base for 2015/16 and the MTFs 2014-18 will be updated as appropriate during the budget process.

## **8 LEGAL AND STATUTORY IMPLICATIONS**

- 8.1. The Council must formally agree its council tax support scheme for 2015/16 by the 31 January 2015.
- 8.2. If a new scheme is not agreed by this date then the scheme the council administered for the previous year (2014/15) would become the default scheme for 2015/16.

## **9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 9.1. A formal consultation exercise has been undertaken. The results of this are detailed in 2.11 above and attached at Appendix 1.

## **10 CRIME AND DISORDER IMPLICATIONS**

- 10.1. 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 Department of Work and Pensions, would not have previously been faced with increased council tax bills. In the past it has sometimes proved difficult in collecting council tax or community charge from residents who are on limited income and or benefits.

## **11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

- 11.1. 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.
- 11.2. Although in 2013/14 and 2014/15 there has not been 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. Variations in collection rates and the level of discounts will not have an immediate financial impact on the revenue resources of the authority as these are managed via the Council's Collection Fund. Future variations in collection rates etc. will then be taken into account in following year's council tax base and council tax.

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

Appendix 1. Consultation Results

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