

Merton Council Cabinet

7 November 2022

Supplementary Agenda 2

6 Council Tax Support Scheme 2023/24

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- Appendix 3

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Committee: Cabinet

Date: 7th November 2022

Wards: All

Subject: Council Tax Support Scheme 2023/24

Lead officer: Roger Kershaw, Interim Executive Director of Finance and Digital

Lead member: Councillor Billy Christie

Contact officer: Rebecca Dodd, Head of Benefits

Recommendations:

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1. That the updating revisions for the 2023/24 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 agrees the proposed revisions to the 2023/24 scheme.
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.0. 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.
- 1.1. That Council agrees to implement recommendation 1 and 2.

2 DETAILS

- 2.1. **Council Tax Support Scheme 2023/24**
- 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, 2020/21, 2021/22 and 2022/23.
- 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 Government's 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.
- 2.7. In 2021/22, 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.
- 2.8. The rules of the scheme for 2021/22 were amended and agreed by full Council to permit any in year changes if the Government made any in year changes to disregards or elements of the Housing Benefit scheme or Prescribed Pensioners scheme that will benefit residents.
- 2.9. Any 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.
- 2.10. 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 2023/24.
- 2.11. 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.
- 2.12. **Council Tax Support Scheme 2023/24**
- 2.13. Each year the Government "uprate" the housing benefit scheme and the prescribed 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 adult deductions (the amount an adult who lives with the claimant is expected to contribute to the rent and/or council tax each week).
- 2.14. The Government have also previously introduced new elements to the housing benefit scheme and pensioner scheme which can affect entitlement. These introductions are often made after Council has agreed the CTS scheme for the following year. For example, on 12th February 2022 the Government introduced [new legislation](#) which introduced the £150 energy rebate. This was

introduced after Council agreed the scheme in November 2021 but before the new scheme began on the 1st April 2022. The changes to the scheme will include any changes affecting CTS entitlement under new legislation and changes to the pensioner scheme and Housing Benefit Scheme after Council have agreed the scheme and before the scheme commences on 1st April 2023.

2.15. The Government will uprate the housing benefit scheme from the 1 April 2023 and the detail of this process is unlikely to be known until early December 2022. The Government will also uprate the prescribed pensioner scheme for council tax support from 1 April 2022, with the details announced in December 2022. Once the detailed information is known it is proposed to use the data from these to uprate the council tax support scheme.

2.16. The new council tax support scheme will be effective from the 1 April 2023

2.17. A formal consultation exercise regarding the proposed revision of the scheme was undertaken between 19 August 2022 and 16 October 2022. The consultation was on 2 options which are detailed in the briefing paper in Appendix 1. Only 12 responses were received, 7 preferred Option 1, to apply the uprating, and 5 preferred Option 2, not to apply the uprating. Of the responses, 1 person indicated that they were in receipt of council tax support.

The Council has also consulted with our major precepting authority, the Greater London Authority (GLA). The GLA have acknowledged the Council's proposal and is content to endorse Merton's preferred option 1 and would encourage the Council to take a proactive approach to informing those council tax support claimants facing difficulties paying council tax bills about the help available, particularly in light of the current cost of living difficulties Londoners are faced with.

Full details of the responses to the consultation are included in Appendix 3 .

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 2023.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. A consultation exercise has been undertaken and the results of this are detailed in 2.17 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	19 August 2021 to 16 October 2022

Report to full Council for agreement to proposed change to the scheme	16 November 2022
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 2022– or as soon as the information is available from the DWP
Deadline for agreement of amended scheme	10 March 2023
Testing of IT software for amended scheme	February 2023
Implement revised scheme	1 April 2023

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. Based on levels of council tax support, as at October 2022, it is estimated that £13.5 million will be granted in council tax support for 2023/24 assuming a 2% increase in council tax from April 2023. This figure includes the Greater London Authorities share of the scheme (£3.0 million), the cost for Merton is estimated at £10.5 million.
- 6.2. The council has recently submitted its Council Tax Base Return (CTB) to Government. This is based as at October 2022 and incorporates the latest information on council tax support and discounts and exemptions. This will be used to calculate the Council Tax Base for 2023/24 and the Medium Term Financial Statement 2022-2026 will be updated as appropriate during the budget process.
- 6.3. The level of reduction in Council Tax Base due to the Council Tax Support Scheme has decreased from last year and is the highest decrease since the scheme began. The adjustment for reduction in tax base as a result of local council tax support since the scheme was introduced is summarised in the table below:

CTB year	Reduction in Council Tax Base due to Local Council Tax Support Scheme	Change in CT Base	Yr..on Yr. % Change
CTB Oct.2013	10,309.31		
CTB Oct.2014	9,686.64	(622.67)	-6.04%
CTB Oct.2015	9,099.90	(586.74)	-6.06%
CTB Oct.2016	8,639.20	(460.70)	-5.06%
CTB Oct.2017	8,192.10	(447.10)	-5.18%
CTB Oct.2018	8,177.10	(15.00)	-0.18%
CTB Oct.2019	7,688.10	(489.00)	-5.98%
CTB Oct.2020	8,320.70	632.60	8.23%
CTB Oct.2021	8,086.00	(234.70)	-2.82%
CTB Oct.2022	7,462.06	(623.94)	-7.71%

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 10 March 2023 to enable the revisions to come into force on 1 April 2023.
- 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 10 March 2023, then the scheme the Council administered for the previous year (2022/21) would become the default scheme for 2023/24.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. A formal consultation exercise has been undertaken. The results of this are detailed in 2.17 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 Council 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.
- 10.2. Additionally, the applicable amounts and personal allowances used to calculate the local council tax reduction, may rise to match inflation. This may increase the number of residents who are entitled to CTS if wages do not rise in line with inflation. The council tax support expenditure for 2023/24 could further increase if there is an increase in claims. The current economic climate is volatile given the impact of increasing inflation, particularly in energy costs. Unemployment rates are currently low, but many claimants are working and any increase in benefit allowances will mean more people may qualify under the new rates.

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

- 11.1 Appendix 1 Consultation briefing paper
- 11.2 Appendix 2 Equalities Impact Assessment
- 11.3 Appendix 3 Consultation comments from respondents

12 BACKGROUND PAPERS

Council Tax Support scheme consultation 2023/24

Response from online consultation

Comments from Council Tax update consultation 2022
No comments.
It shouldn't just be for people claiming benefits. Ordinary people are struggling too.
Low council tax like Wandsworth why paying for centre of London when most people on good wages.

Response from Conservative group

Merton Conservatives support a Merton focused scheme that provides better value for money for Council Tax payers and would offer support to those on low incomes.

Response from GLA

Introduction

As in previous years, the GLA recognises that the determination of council tax support schemes, under the provisions of the Local Government Finance Act 2012, is a local matter for each London borough. Individual schemes need to be developed which have regard to specific local circumstances, both in respect of the potential impact of any scheme on working age claimants (particularly vulnerable groups) and, more generally, the financial impact on the council and local council tax payers – and therefore the final policies adopted may, for legitimate reasons, differ across the capital's 33 billing authorities.

This fact notwithstanding the GLA also shares in the risks and potential shortfalls arising from the impact of council tax benefit localisation in proportion to its share of the council tax in each London billing authority. It is therefore important that we are engaged in the scheme development process and have an understanding of both the factors which have been taken into account by boroughs in framing their proposals, as well as the data and underlying assumptions used to determine any forecast shortfalls which will inform the final scheme design.

Framing Proposals

As part of the introduction of council tax support in 2013-14, the Government set out its expectation that, in developing their scheme proposals, billing authorities should ensure that:

- Pensioners see no change in their current level of awards whether they are existing or new claimants;
- They consider extending support or protection to other vulnerable groups; and
- Local schemes should support work incentives and, in particular, avoid disincentives to move into work.

The GLA concurs with those general broad principles and would encourage all billing authorities in London to have regard to them in framing their schemes.

Proposed Options for 2023-24 Scheme

The London Borough of Merton has a commitment to keeping the Borough's CTS scheme for non-pensioners aligned to the Government's prescribed CTS scheme and the Housing Benefit (HB) scheme. The intention is that residents should get broadly the same CTS as they would have done if Council Tax Benefit (CTB) still existed. As a result, the council is consulting on two options relating to updating the scheme for 2023-24. These options are as follows:

1. Incorporate any changes made to the HB scheme and the prescribed Council Tax Reduction scheme for pensioners during the 2022/2023 financial year and retain the option to make changes within the year the scheme applies where changes are made to HB scheme, prescribed Council Tax Reduction scheme and national welfare benefits, tax credits, grants and loans, where it affects the award of CTS.
2. Continue to award Council Tax Support based on the current scheme, including the current rates of applicable amounts, personal allowances, and non-dependent deductions. No technical adjustments to the scheme to bring it in line with the HB scheme, prescribed Council Tax Reduction scheme and national welfare benefits, tax credits, grants and loans.

The GLA notes that Option 1 is the council's preferred option, as it would continue to ensure there are little or no differences between the prescribed scheme and Housing Benefit, and the Borough's local CTS scheme. Option 1 would, in broad terms, ensure that, providing a resident's circumstances remained the same, a claimant would receive the same level of CTS as they would have done had the former CTB scheme continued.

If Option 2 were adopted, applicable amounts and personal allowances would remain the same in 2023-24 as in 2022-23, and therefore the claimant would receive a reduced award of CTS compared to the amount which would be received had the scheme been updated, as in Option 1.

The GLA acknowledges that local authorities face difficult choices on CTS schemes, as overall funding from central government has reduced and funding for CTS is no longer identifiable within the settlement. However, the council has committed to maintaining the principle of mirroring the existing scheme, despite uncertainty over future funding levels. Furthermore, the council will continue its policy of not restricting applicable amounts to two dependant children only. These commitments are welcomed by the GLA.

It is clear from the council's website that a discretionary hardship fund is in operation. We would encourage the Council to take a proactive approach to informing those council tax support claimants facing difficulties paying council tax bills about the help

available, particularly in light of the current cost of living difficulties Londoners are faced with.

In light of the above comments, the GLA is content to endorse Option 1, as Merton's preference for the 2023-24 scheme, recognising that the proposed scheme is in accordance with the general principles set out by Government (as listed above).

Council Tax Protocol

The GLA welcomes the fact that Merton remains signed up to the council tax protocol, developed by Citizens Advice, in partnership with the Local Government Association. In recent years the issue of council tax collection practices has become more high profile and the GLA is supportive of initiatives to improve collection processes.

Providing Information on Schemes

Whilst we recognise that the detailed rules on council tax support schemes are inevitably complex, the GLA would encourage all boroughs to make every effort to set out information on their schemes as clearly as possible. Information that may help potential claimants could include an online calculator, to identify whether potential claimants are likely to be entitled to support, as well as 'Frequently Asked Questions' and a summary document outlining concise details of the scheme. In addition, for existing claimants, we would encourage boroughs to consider how the process for reporting changes in circumstances can be made as straightforward as possible.

Setting the Council Tax Base for 2023-24 and Assumptions in Relation to Collection Rates

The council will be required to set a council tax base for 2023-24 taking into account the potential impact of the discounts the council may introduce in respect of council tax support and any potential changes the council may implement regarding the changes to the treatment of second and empty homes.

The council will need to make a judgement as to the forecast collection rates from those claimants and council taxpayers affected by any changes to council tax support. The GLA would encourage the council to provide it with an indicative council tax base forecast as soon as options are presented to members for approval, in order that it can assess the potential implications for the Mayor's budget for police, fire and other services for 2023-24. This should ideally be accompanied by supporting calculations disclosing any assumptions around collection rates and discounts granted having regard to the final council tax support scheme design.

Collection Fund and Precept Payments

By 23 January 2023, the council is required to notify the GLA of its forecast collection fund surplus or deficit for 2022-23, which will reflect the cumulative impact of the localisation of council tax support since it was introduced in 2013-14. The GLA would encourage the council to provide it with this information as soon as it is available.

Response from the Liberal Democrats

The Council's own consultation document states:

“Merton’s Council Tax Support Scheme (CTS) was developed in 2012 after it was announced that the Government’s Council Tax Benefit (CTB) scheme would be replaced by individual CTS schemes run by local authorities from April 2013.”

Furthermore:

“The local CTS scheme is up to each Local Authority to decide.”

And:

“Since then, Merton’s CTS scheme has replicated the Government’s prescribed scheme to ensure that residents would get the same rate of CTS had CTB continued.”

Concluding:

“Merton has also decided to maintain that principle for the 2023/24 scheme.”

Whilst the Liberal Democrats in Merton welcome the support the Council has made available for those in receipt of Council Tax Support, we believe further support is required. We are living through very different times to those when the scheme was first introduced. Many of our residents are facing unprecedented financial hardships. The cost-of-living emergency is impacting on almost everyone, in ways previously thought unimaginable. People beyond traditional benefit boundaries are in financial peril - food and fuel poverty is a daily reality for many, with the added strain of trying to keep a roof over their head.

The Resolution Foundation report – Arrears Fears¹ explains:

“The cost-of-living crisis will send more financially-insecure families into arrears – the most harmful form of debt. Families face rising costs ... those who cannot cut back on spending and have no savings to fall back on will find themselves unable to keep up with their bills and so are likely to fall into arrears.”

The Citizens Advice Bureau’s *cost of living dashboard*² illustrates this with the crisis advisors are seeing unfold and gives a near real-time insight into the problems people are facing.

The Liberal Democrats in Merton think simply rolling forward the same Council Tax Scheme formulated in 2012, without addressing the current and worsening cost of living crisis is an inadequate response. Neither option 1 nor 2 in the consultation document reflects the harsh economic realities facing a growing number of residents who now need help.

¹ [Arrears fears • Resolution Foundation](#)

² [Our new cost of living dashboard: the crisis we’re seeing unfold | by Morgan Wild | We are Citizens Advice](#)

According to the Trussel Trust and staff at their foodbanks:

“The cost of living crisis is forcing people into impossible decisions because they simply don’t have enough money. Do they eat or buy other essentials such as school shoes for their kids?”

“This isn’t right. If people are to have enough money to live with dignity, we need strong support systems that lift us out of hardship rather than plunging us deeper into poverty. This means investment in our social security system to ensure it’s a strong and effective lifeline for whenever any of us need support.”³

We recognise the Council cannot change the social security system, but know that Merton Council could do more to support a greater range of residents through this emergency.

We consequently call on the Council to be bold and innovative in developing an expanded Council Tax Support scheme, or else other direct measures, to reach those residents who were just about managing, but are no longer doing so, and those who have additional needs that may be exacerbated by the crisis, such as disabled people.

³ [True Cost of Living - The Trussell Trust](#)

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