

## **Committee: Council**

**Date: 18 November 2015**

Wards: All

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

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Mark Allison

Contact officer: David Keppler, Head of Revenues and Benefits

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### **Recommendations:**

1. To agree to the uprating changes for the 2016/17 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.
  2. For Council to agree the adoption of the new 2016/17 scheme
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## **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. This report details the proposed minor changes 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 has considered and endorsed the report for Council's approval
- 1.3. That Council agrees to implement recommendation 1 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 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.
- 2.3. Council have subsequently agreed to continue with the same scheme on an annual basis for 2014/15 and 2015/16.
- 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. Advice received from the 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. 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 “uprating” each year. Merton have subsequently agreed this approach in prior years and is now seeking agreement to the same for 2016/17.
- 2.8. 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. However, the exact detail will not be known until December 15 when the details for the housing benefit and Prescribed Pension Scheme are issued.
- 2.9. The Government will uprate the housing benefit scheme from the 4 April 2016 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 2016. 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 2016.
- 2.11. A formal consultation exercise regarding the change of the scheme was undertaken between 8 July 2015 and 16 October 2015. Only 20 responses were received, 10 opted to apply the uprating, 8 opted not to apply the uprating and 2 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. Specific comments on the consultation were;-

*“I haven't had a work payment increase in years, why would someone who isn't even working get one, so why should they get even less council tax bills, which I'm paying towards too.”*

*“I support a few families across Merton (voluntarily) who are working hard but struggling due to low incomes - I sit down with them and help them cut costs and increase their income - this might mean additional help through WTC, HB and CTB. Every penny counts at the moment so a reduction would not be good for them at all. This point relates to the 10 families I have supported over the last 3 months, all of whom do not approach CAB or other advice services, for various reasons.”*

- 2.13. 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.
- 2.14. The Council has also consulted with our major precepting authority, the Greater London Authority. The GLA has no further specific comments on these proposals at this stage as it regards them as being a legitimate matter for local determination, notwithstanding the need for the Council to consider the equalities impact of its final decision and the potential impact on vulnerable groups.

### **3 ALTERNATIVE OPTIONS**

- 3.1. 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 2016 and go against the wishes of those responding to the consultation.

### **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1. A consultation exercise has been undertaken and the results of this are detailed in 2.11 above and shown in Appendix 1 attached.

### **5 TIMETABLE**

- 5.1. 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 2015
Report to full Council for agreement to	18 November 2015

proposed change to the scheme	
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 2015 – or as soon as the information is available from the Department of Work and Pensions
Deadline for agreement of amended scheme	31 January 2016
Testing of IT software for amended scheme	February 2016
Implement amended scheme	1 April 2016

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

- 6.1. Based on current expenditure for 2015/16 it is estimated that £11.2 million will be granted in council tax support for 2016/17 assuming there is no change in the council tax. This continues the downward trend in each year that the scheme has been operating for an initial figure of £13.4m.
- 6.2. 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.
- 6.3. The council has recently submitted its Council Tax Base Return (CTB) to Government. This is based as at October 2015 and incorporates the latest information on council tax support and discounts and exemptions. This will be used to calculate the Council Tax Base for 2016/17 and the MTFs 2016-20 will be updated as appropriate during the budget process.

## **7 LEGAL AND STATUTORY IMPLICATIONS**

- 7.1. The Council must formally agree its council tax support scheme for 2016/17 by the 31 January 2016.
- 7.2. If a new scheme is not agreed by this date then the scheme the council administered for the previous year (2015/16) would become the default scheme for 2016/17.

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

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

## **9 CRIME AND DISORDER IMPLICATIONS**

- 9.1. 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.

## **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**

Appendix 1. Consultation results and equalities breakdown

## **12 BACKGROUND PAPERS**

- 12.1. None

# APPENDIX 1

