

## **Committee: Council**

**Date: 22 November 2017**

Wards: All

## **Subject:**

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 changes for the 2018/19 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 including not to implement restricting personal allowances for households with more than two children; and
  2. That Council adopts the new 2018/19 scheme.
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## **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. This report details the proposed 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 full 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, 2015/16, 2016/17 and 2017/18.
- 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 has subsequently agreed this approach in prior years and is now seeking agreement to the same for 2018/19.
- 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 2017 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 2 April 2018 and the detail of this process is unlikely to be known until early December 2017. The government will also uprate the prescribed pensioner scheme for council tax support from 1 April 2018. Once the detailed information is known it is proposed to use the data from these to uprate the council tax support scheme.
- 2.10. From April 2017 there was a change to the rules for housing benefit regarding the restricting of allowances for households with more than two dependant children. When the consultation for the 2017/18 council tax support scheme took place this change had not been announced by the government and therefore not included in the consultation.
- 2.11. To adhere to the principle of trying to mirror the council tax support scheme to the old council tax benefit scheme and the housing benefit scheme for working age people, the consultation for the 2017/18 scheme included this change. If this was implemented from 1 April 2018 working age households would have personal allowances for the dependant children restricted to two children. This would only apply to new claims, some change of circumstances such as change of address or where there is a break in the

claim and when a new child is born and exceeds two children for the household. The consultation also incorporates that any minor new changes to the housing benefit scheme introduced after the consultation and agreement of the council tax support scheme will be included in the Council's 2018/19 scheme. This also includes any new changes introduced part way through the year.

- 2.12. Based on current data approximately 7% of our 11,000 council tax support claimants have more than two children. Although existing claimants will be protected it is estimated that 7% of all new claims for council tax support could be affected by this change. Households with three children will receive £13.38 per week less in council tax support due to this change.
- 2.13. In 2016/17 there were 4,500 new claims for council tax support and 315 (7%) claims could be affected by the change. These claims could receive £695 less in council tax support over the course of a full year. Therefore the potential full year reduction in council tax support awarded for these new claims could be up to approximately £219,000.
- 2.14. The uprating of the council tax support scheme will be effective from the 1 April 2018.
- 2.15. A formal consultation exercise regarding the change of the scheme was undertaken between 21 August 2017 and 2 October 2017. Only 4 responses were received, 2 opted to apply the uprating and 2 opted not to apply the uprating.
- 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). The GLA is content to endorse the broad approach taken by the council however, they were concerned about the proposed change to restrict personal allowances to two children and encouraged the council to re-consider this proposal if the costs were not prohibitive and to continue with the existing levels of support for families with more than two children. The GLA also highlighted that they would be covering approximately 20% of the cost for providing this support.
- 2.18. Cabinet considered the proposed changes to the council tax support scheme and recommends to implement the general uprating but not to implement restricting allowances to two children as this would affect new families claiming council tax support and needing help to pay their council tax. Cabinet agreed with the GLA comments in their consultation response.

### **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 2018 and go against the wishes of two 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 2.15 and 2.17 above.

#### **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	21 August 2017 to 2 October 2017
Report to full Council for agreement to proposed change to the scheme	22 November 2017
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 2017 – or as soon as the information is available from the Department of Work and Pensions
Deadline for agreement of amended scheme	31 January 2018
Testing of IT software for amended scheme	February 2018
Implement amended scheme	1 April 2018

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

- 6.1. Based on current expenditure for 2017/18 it is estimated that £10.7 million will be granted in council tax support for 2017/18 assuming there is no change in the council tax. This figure includes the Greater London Authorities share of the scheme (£2.1 million), the cost for Merton is £8.6 million. This continues the downward trend in each year that the scheme has been operating from 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. As detailed in 2.13 above if the change is made to restrict the allowances for new claims for households with over two children then over a full year up to £219,000 less in council tax support could be awarded.

- 6.4. The council has recently submitted its Council Tax Base Return (CTB) to Government. This is based as at October 2017 and incorporates the latest information on council tax support and discounts and exemptions. This will be used to calculate the Council Tax Base for 2018/19 and the MTFs 2018-22 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 2018/19 by the 31 January 2018.
- 7.2. If a new scheme is not agreed by this date then the scheme the council administered for the previous year (2017/18) would become the default scheme for 2018/19.

## **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 and 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 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 from residents who are on limited income and or benefits.

## **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**

None

## **12 BACKGROUND PAPERS**

- 12.1. Consultation letter from GLA

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