

Committee: Cabinet

Date: 11 November 2013

Agenda item:

Wards: All

Subject: Change to Council Tax Support Scheme

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Lead member: Councillor Mark Allison

Forward Plan reference number: 1304

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Recommendations:

- A. To agree to the uprating changes for the 2014/15 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. .

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.

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. Full Council also agreed a review of local schemes will be undertaken for the full year of 2013/14 and that any changes arising from that review for a local scheme will be developed for consideration for the 2015/16 budget process along with the impact of the ageing population in Merton. Therefore adopting

the prescribed default scheme for 2013/14 and 2014/15 and making it Merton's scheme.

- 2.4. Each year the Government uprate the housing benefit and the old council tax benefit scheme. 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 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 already exist. This is known as the Prescribed pensioners scheme.
- 2.6. When full Council adopted the Governments default scheme last year it was not clear what would happen with regards to the uprating of the default scheme from April 2014. At the end of September 2013 advice was received from the Department of Communities and Local Government that if a Council does not agree its local scheme for 2014/15 by the 31 January 2014 then the Council's own scheme for 2013/14 becomes its new default scheme and will continue for the financial year 2014/15.
- 2.7. This means for Merton residents that their state benefits would be increased through the government uprating but without making a change to the council tax support scheme the applicable amounts and personal allowances, and non dependant deductions would all remain unchanged. This would result in non pensioners and those claimants not in receipt of 100% council tax support facing increased council tax bills.
- 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 2 April 2014 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 2014. 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 2014.
- 2.11. A formal e-consultation exercise regarding the change of the scheme was undertaken between 4 October 2013 and 1 November 2013. Only 8 responses were received, 4 opted to apply the uprating and 4 not to apply it. 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 2014/15, 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 residents facing increased council tax bills from April 2014.

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	October/November 2013

scheme	
Report to full Council for agreement to proposed change to the scheme	20 November 2013
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 2013 – or as soon as the information is available from the Department of Work and Pensions
Deadline for agreement of amended scheme	31 January 2014
Testing of IT software for amended scheme	February 2014
Implement amended scheme	1 April 2014

7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 7.1. Based on current expenditure for 2013/14 it is estimated that £13.6 million will be granted in council tax support for 2014/15 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 2013 and incorporates the latest information on council tax support and discounts and exemptions. This will be used to calculate the Council Tax Base for 2014/15 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 2014/15 by the 31 January 2014.
- 8.2. If a new scheme is not agreed by this date then the scheme the council administered for the previous year (2013/14) would become the default scheme for 2014/15.

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.

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. There should continue to be a financial contingency for the scheme to cover for any future increased caseload. Although in 2013/14 there has not been an increase in caseload it is possible that the full impacts of the welfare reform could result in more families located in inner London moving into Merton which would result in an increase in the council tax support expenditure.

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

- 12.1. None