

## **Committee: Council**

**Date: 5 February 2020**

Wards: All

## **Subject: Council Tax Support Scheme 2020/21**

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 2020/21 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 Council adopts the new 2020/21 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 council agrees to implement recommendation 1 and 2

## **2 DETAILS**

### **2.1. Council Tax Support Scheme 20120/21**

- 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 on an annual basis for 2014/15, 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20.
- 2.5. 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).

- 2.6. 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.
- 2.7. 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 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.
- 2.8. 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 2020/21.
- 2.9. 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.
- 2.10. The government will uprate the housing benefit scheme from the 1 April 2020 and the detail of this process is unlikely to be known until early December 2019. The government will also uprate the prescribed pensioner scheme for council tax support from 1 April 2020, with the details announced in December 2019. Once the detailed information is known it is proposed to use the data from these to uprate the council tax support scheme.
- 2.11. The uprating of the council tax support scheme will be effective from the 1 April 2020.
- 2.12. A formal consultation exercise regarding the change of the scheme was undertaken between 19 July 2019 and 30 August 2019. Only 6 responses were received, 2 opted to apply the uprating and 4 opted not to apply the uprating.
- 2.13. 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.

- 2.14. The Council has also consulted with our major precepting authority, the Greater London Authority (GLA). The GLA is content to endorse the approach taken by the council.

### **3 ALTERNATIVE OPTIONS**

- 3.1. The only alternative option for the Council Tax Support Scheme based on the consultation undertaken 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 2020

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

- 4.1. A consultation exercise has been undertaken and the results of this are detailed in 2.12 and 2.14 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 July 2019 to 30 August 2019
Report to full Council for agreement to proposed change to the scheme	20 November 2019
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 2019 – or as soon as the information is available from the Department of Work and Pensions
Deadline for agreement of amended scheme	11 March 2020
Testing of IT software for amended scheme	February 2020
Implement amended scheme	1 April 2020

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

- 6.1 Based on current expenditure for 2019/20 it is estimated that £11 million will be granted in council tax support for 2020/21 based on 2019/20 council Tax levels. This figure includes the Greater London Authorities share of the scheme (£2.3 million), the cost for Merton is £8.7 million. With a 2% increase in council tax from 1 April 2020 this estimate would increase to £8.9 million.

- 6.1. 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.

- 6.2. The council has recently submitted its Council Tax Base Return (CTB) to Government. This is based as at October 2019 and incorporates the latest information on council tax support and discounts and exemptions. This will be used to calculate the Council Tax Base for 2020/21 and the MTFs 2021-24 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 2020/21 by no later than 11 March 2020.
- 7.2. If a new scheme is not agreed by this date then the scheme the council administered for the previous year (2019/20) would become the default scheme for 2020/21.

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

- 8.1. A formal consultation exercise has been undertaken. The results of this are detailed in 2.12 and 2.14 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**

- 11.1 None

## **12 BACKGROUND PAPERS**

- 12.1. Consultation letter from GLA
- 12.2. Consultation responses as per 2.12 above