

Committee: Council

Date: 21 November 2018

Wards: All

Subject: Council Tax Support Scheme 2019/20 and Council Tax Technical Reforms 2019

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Mark Allison,

Contact officer: David Keppler, Head of Revenues and Benefits

Recommendations:

1. That the uprating changes for the 2019/20 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 2019/20 scheme.
 3. That Council agrees to implement the council tax technical reforms concerning the increased empty property premium from 1 April 2019 and subsequent years following the amendments to Section 11B of the Local Government Finance Act 1992.
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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. The report also details the change incorporated in the council tax technical reforms regarding long term empty properties and the additional premiums councils can charge.
- 1.3. That council agrees to implement recommendation 1, 2 and 3 above.

2 DETAILS

- 2.1. **Council Tax Support Scheme 2019/20**
- 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 and 2018/19.
- 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 2019/20.
- 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 2019 and the detail of this process is unlikely to be known until early December 2018. The government will also uprate the prescribed pensioner scheme for council tax support from 1 April 2019, with the details announced in December 2018. 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 2018.
- 2.12. A formal consultation exercise regarding the change of the scheme was undertaken between 24 August 2018 and 19 October 2018. Only 4 responses

were received, 2 opted to apply the uprating and 2 opted not to apply the uprating. Only one comment was received which was in favour of ensuring that those residents in receipt of council tax support continue to “receive as much as possible to help prevent them getting in to the debt spiral”.

- 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 broad approach taken by the council however, it believes the council should review the proposed changes as a whole and if one proposed change results in a greater saving to the council that could be used to reduce the need to apply other proposals then they suggest the council does this so that it would help to reduce the financial burden on some individuals and families in Merton who see their council tax support reduced.
- 2.15. **Council Tax Technical Reforms**
- 2.16. In 2012 Local Government Finance legislation was amended to give billing authorities discretion to remove or reduce the discounts and exemptions awarded for empty properties and second homes and to give authorities the option to charge up to an additional 50% premium on long term empty properties (over two years empty).
- 2.17. On 6 February 2013 full council agreed to remove the discounts and exemptions on empty properties and second homes and also agreed that a review of the empty homes premium would be undertaken for the full year 2013/14 and reported back to Cabinet for consideration for the 2015/16 budget process.
- 2.18. On the 19 November 2014 full council agreed to implement the empty homes premium of 50% from April 2015.
- 2.19. Since April 2015 the council has charged taxpayers 50% premium on properties that have been empty for over two years.
- 2.20. Although the number of properties affected by this fluctuates the council has approximately charged between 160 and 190 taxpayers the additional premium per year.
- 2.21. Based on the latest figures of 166 as at October 2018 being charged at Band D this premium will raise approximately £97,000 council tax for Merton this year.
- 2.22. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill (the Bill) has now been approved by both Houses of Parliament. The Bill received Royal Assent on 1 November 2018, becoming an Act and law.

- 2.23. The provisions of the 2018 Act amend Section 11B of the Local Government Finance Act 1992 (Section 11B, as amended) to allow billing authorities to increase the premium on empty properties from 50% to 100%.
- 2.24. The Section 11B, as amended, provides for the increase and implementation to take effect in the financial year commencing 1st April 2019.
- 2.25. Section 11B, as amended, also gives billing authorities the ability to charge higher premiums in subsequent years for properties that have been empty for longer periods of time.
- 2.26. Billing authorities are now empowered to increase the premiums payable over time as follows: -
- From 1 April 2019 – 100% premium for properties that have been empty for 2 years or more
- From 1 April 2020 – 200% premium for properties that have been empty for 5 years or more
- From 1 April 2021 – 300% premium for properties that have been empty for 10 years or more.
- 2.27. As at October 2018 there were 166 long term empty properties being charged the 50% premium. Of these, 13 have been empty for 10 years or more, 18 empty for between 5 and 10 years and 135 empty for between 2 and 5 years.

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 2019
- 3.2. The alternative option for the Council Tax Technical Reform changes would be not to implement them or delay implementation and review at some further stage.

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	24 August 2018 to 19 October 2018

Report to full Council for agreement to proposed change to the scheme	21 November 2018
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 2018 – or as soon as the information is available from the Department of Work and Pensions
Deadline for agreement of amended scheme	11 March 2019
Testing of IT software for amended scheme	February 2019
Implement amended scheme	1 April 2019

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. Based on current expenditure for 2018/19 it is estimated that £11 million will be granted in council tax support for 2019/20 based on 2018/19 council Tax levels. This figure includes the Greater London Authorities share of the scheme (£2.2 million), the cost for Merton is £8.8 million. This is an increase on the previous year which is due to the council tax increase last year.

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 2018 and incorporates the latest information on council tax support and discounts and exemptions. This will be used to calculate the Council Tax Base for 2019/20 and the MTFS 2019-23 will be updated as appropriate during the budget process.

6.4 Council Tax Proposed revisions to Empty Property Premiums

Based on the 166 properties as at October 2018 outlined in paragraph 2.27 and using Merton's current Band D Council Tax, the revisions to premiums would result in additional income to the Council as follows:-

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Merton Premium from Empty Properties	97	194	230	246
Additional income		97	133	149

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. The Council must formally agree its council tax support scheme for 2019/20 by no later than 11 March 2019.
- 7.2. If a new scheme is not agreed by this date then the scheme the council administered for the previous year (2018/19) would become the default scheme for 2019/20.
- 7.3. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 amends the provisions of Section 11B of the Local Government Finance Act 1992, to enable the Council, as the Billing Authority, to increase the empty property premium payable as detailed in 2.26 above.

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. It is possible that taxpayers may not pay the additional premium, however, since the 50% premium was implemented in 2015 this has not been the case and taxpayers have paid. .

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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