

Council Tax Support update for 2025/26

Merton's Council Tax Support Scheme (CTS) was developed in 2012 after it was announced that the Government's Council Tax Benefit (CTB) scheme would be replaced by individual CTS schemes run by local authorities from April 2013. The Government decided that pensioners would not be worse off under any local council tax support schemes. To achieve this, the Government continued with a prescribed CTS scheme for pensioners (where the entitlement is determined by regulations). The local CTS scheme for working age residents is up to each Local Authority to decide. The decision-making process must include consultation with interested parties.

Since then, Merton's CTS scheme for working age residents has mirrored the Government's prescribed scheme for pensioners. This ensures that that residents would get the same rate of CTS had CTB continued and that working age residents receive a similar level of support as pensioners. Merton has also decided to propose the continuation of that principle for the 2025/26 scheme.

Additionally, every year national benefits and tax credits for working age people are reviewed by the Government. These adjustments are not always known in advance of the scheme being set by Merton. These reviews can result in increases, decreases or indeed no change to the amount of:

- HB
- Prescribed CTS scheme and
- national welfare benefits, tax credits, grants and loans.

To ensure the principle of mirroring the scheme continues, several changes are required to the existing scheme from 2024/25 and therefore we are consulting on these proposed changes.

We are consulting on the following options:

Option 1 – To incorporate any changes made to the HB scheme and the prescribed Council Tax Reduction scheme for pensioners during the 2024/25 financial year, and all statutory revisions announced for 2025/26. Additionally, the scheme will retain the option to make changes within the year the scheme applies where changes are made to HB scheme, prescribed Council Tax Reduction scheme and national welfare benefits, tax credits, grants and loans, where it affects the award of CTS.

This is the Council's preferred option. It allows Merton to amend the scheme in line with these changes made by the Government at a national level, at any time during the financial year to which it applies. These in year changes will be approved by the Section 151 officer responsible for the proper administration of the council's affairs. The Section 151 officer can also refer the decision to Cabinet.

The effect of this will be that:

1. Any national changes which affect the award of CTS such as equivalent applicable amounts, personal allowances, non-dependant deductions and disregards, will be reflected in the CTS scheme. This includes those changes already known and any which

occur in the year the CTS scheme applies. This includes beneficial and non-beneficial changes and allows for consideration of the financial impact to the Council and its residents. It also includes any schemes introduced by central government after this consultation has taken place.

2. Merton would not be able to create a scheme which was more or less advantageous to working age residents compared to the statutory prescribed scheme for residents of pension age (which is determined by government). Maintaining the parity for working age residents with pension age resident means that working age residents cannot be better or worse off than a pension age resident.
3. There may be changes announced which are beneficial to claimants which we would not be able to introduce until the following year if Option 2 is the selected option.

Broadly speaking Option 1 means the claimant would receive the same amount of Council Tax Support as they would have done under the Government's previous Council Tax Benefit scheme, providing circumstances remain the same. It will allow the Council to decide how changes made to the HB scheme, prescribed Council Tax Reduction scheme and national welfare benefits, tax credits, grants and loans, should be treated under the CTS for Merton.

Option 2 - Continue to award Council Tax Support based on the current scheme, including the current rates of applicable amounts, personal allowances and non-dependent deductions. Not make technical adjustments to the scheme to bring it in line with the HB scheme, prescribed Council Tax Reduction scheme and national welfare benefits, tax credits, grants and loans.

The effect of this will be that:

1. if the national applicable amounts, personal allowances and disregards are increased these would remain the same in the CTS scheme and therefore the claimant would not get as much Council Tax Support compared to the amount they would have got under the Government's old scheme.
2. if the national applicable amounts, personal allowances and disregards are decreased these would remain the same in the CTS scheme and therefore the claimant would more Council Tax Support compared to the amount they would have got under the Government's old scheme.
3. Not making the changes will leave the council tax support scheme misaligned with the prescribed pensioner scheme and HB scheme.

Merton's current scheme will become our default scheme for 2025/26 if no changes are required or full Council do not agree a new scheme.