



BUDGET PANEL

Tuesday, 23rd October, 2012

7.00 pm

Town Hall, Watford

Publication date: 15 October 2012

CONTACT

If you require further information or you would like a copy of this agenda in another format, e.g. large print, please contact Sandra Hancock in Legal and Property Services on 01923 278377 or by email to legalanddemocratic@watford.gov.uk .

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COMMITTEE MEMBERSHIP

Councillor J Dhindsa (Chair)

Councillor S Rackett (Vice-Chair)

Councillors J Aron, G Derbyshire, S Greenslade, P Jeffree, A Khan, R Martins and P Taylor

AGENDA

PART A - OPEN TO THE PUBLIC

1. APOLOGIES FOR ABSENCE/COMMITTEE MEMBERSHIP

2. DISCLOSURE OF INTERESTS (IF ANY)

3. MINUTES

The minutes of the meeting held on 11 September 2012 to be submitted and signed. *(All minutes are available on the Council's website.)*

4. UNDERSTANDING BUDGETS

Presentation by the Head of Strategic Finance and the Head Finance Shared Services

5. MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2012/2017 (Pages 1 - 16)

Report of the Head of Strategic Finance

This report provides an overview of financial issues affecting the Council over the next five years and enables a strategy to be developed to achieve a sustainable budget and to set a Council Tax for 2013/2014.

6. LOCALISATION OF COUNCIL TAX SUPPORT - UPDATE ON CONSULTATION (Pages 17 - 58)

Report of the Partnerships and Performance Section Head

This report provides an update on the consultation on the proposed local Council Tax Support Scheme for Watford.

7. FINANCE DIGEST 2012/2013: PERIOD 6 (END OF SEPTEMBER)

Report to follow

8. DATES OF NEXT MEETINGS

- Tuesday 27 November 2012
- Wednesday 16 January 2013
- Tuesday 12 February 2013

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PART A

Report to: Budget Panel
Date of meeting: 23rd October 2012
Report of: Head of Strategic Finance
Title: Medium Term Financial Strategy (MTFS) 2012/2017

1.0 SUMMARY

1.1 This report provides an overview of financial issues affecting the Council over the next five years and enables a strategy to be developed to achieve a sustainable budget and to set a Council Tax for 2013/2014.

2.0 RECOMMENDATIONS

2.1 That Budget Panel considers the contents of this report and make observations/recommendations to a future Cabinet meeting.

Contact Officer:

For further information on this report please contact: Bernard Clarke, Head of Strategic Finance
telephone extension: 8189 email: bernard.clarke@watford.gov.uk

3.0 Background

3.1 Council on 25th January 2012 approved the revenue budget and capital programme to apply for 2012/13. It also recommended to Functions Committee the levels of council tax (no increase) to apply from 1st April 2012. These decisions were influenced by the Medium Term Financial Strategy which covered the period 2011 to 2016 and which has sought to achieve a 'sustainable budget' over the medium term.

3.2 It is now necessary to revisit the MTFS as an essential part of sound financial planning and will need to consider:

- the Revenue and Capital Outturns for 2011/2012
- any identified pressures during 2012/2013 and future years
- Watford Council's progress in meeting efficiency savings
- Forecast Net Expenditure
- Central Government Funding
- Watford's council tax base and collection levels
- The levels of reserves and balances

3.3 Subsequent sections of this report will consider each of these issues which will then be incorporated in a revised MTFS covering the period 2012/ 2017

3.4 There does need to be a general 'Health Warning' and that relates to the fact that fundamental changes to the financing of local authorities will be introduced within the next 6 months and there is currently a lack of information and great uncertainty regarding the effects upon individual councils.

4.0 Revenue and Capital Outturn 2011/2012

4.1 These were reported to Budget Panel and Cabinet at their September meetings and, in summary, the revenue outturn indicated a £251k underlying over spend but, due to one off Final Account issues, the level of reserves actually increased by £1,230,408. These headline figures have been reflected within the remainder of this Report.

4.2 With regard to the Capital Outturn, it indicated a capital spend (including Section 106 projects) of £10,066k in 2011/2012. The remainder of the current capital programme is anticipated to require funding of £24,744k which will effectively use up all available capital receipts. The MTFS has taken that into account when calculating future levels of investment interest accruing to the Revenue Account.

5.0 Identified Pressures During 2012/2013 and Future Years

5.1.1 The first pressures that need to be factored in relate to those variations within the 2011/2012 Outturn that will recur in 2012/2013 and future years. Some of these variances such as commercial rents and homelessness costs had already been built into the MTFS but it is anticipated there will be the following additional pressures:

- * Shared Services Operating Costs £200k (relates to Revenues & Benefits/ ICT)
- * NNDR Discretionary Rate Relief £ 70k (additional applications)
- * Shortfall in Income from parking £100k (excludes CPZ related parking)

5.1.2 Clearly there have been some off setting savings during 2011/2012, but it cannot be assumed that these will recur in 2012/2013. The MTFS will therefore make provision for an additional £370k of pressures arising from the 2011/2012 Outturn.

5.2.1 In addition to Outturn variations, account needs to be taken of budgetary pressures arising in 2012/2013. At this stage of the year, there have been limited budget variations reported through the Finance Digest that have not been accommodated within 5.1 above. The only variations worthy of note include:

- * favourable variance on community safety (£70k)
- * anticipated further loss of commercial rent income £220k
-to reflect the full year effect of Peacock's closure
- * service prioritisation shortfall £196k
- discussed later.

5.2.2 The effect of these major variations results in a further £346k addition to the 2012/2013 budget.

5.3 As in the past, Heads of Service have been requested to consider any likely unavoidable/ statutory growth that may occur in 2013/2014 onwards. As part of that process they are also required to identify potential additional savings that have not already been identified. Leadership will consider any such variations which will be reported to Budget Panel in November/ January.

5.4 The MTFs should also take into account any known pressures arising in 2013/2014 and will include any implications arising from Government proposals such as the local council tax benefit scheme. At this point in time it is assumed that it will be self financing- but will need to be reviewed before budgets for 2013/2014 and future years are finalised.

5.5 Finally, a review of inflation should be carried out to test previous assumptions. With regard to Pay Awards, the Chancellor of the Exchequer's Autumn Statement in November 2011, indicated it would expect public sector pay increases to not exceed 1% in 2013 & 2014.

For the purposes of the MTFs the following pay assumptions have been built in therefore:

2012/2013	Nil
2013/2014	1%
2014/2015	1%
2015/2016	1%
2016/2017	2% (to reflect the fact that inflation will start to rise)

(A 1% pay award equates to an additional circa £160k for Watford and Watford related shared services staff).

5.6 The staff pay model has been interrogated and full allowance for scheduled increments has been built into the MTFs. This is on the basis of current staff levels with adjustments where it is likely that staff changes will occur. Any potential outsourcing of services has been ignored within these staffing figures and any efficiency savings will be set against Roadmap savings discussed later in this report.

5.7 With regard to potential pensions (employers superannuation) implications, the MTFs continues to reflect advice from Herts County Council. No increase in the superannuation rate is anticipated until April 2014 when a 1% increase is anticipated (increasing the rate from 26.8% of gross pay to 27.8%). A further 1% increase is anticipated in 2016/2017. .

- 5.8.1 Finally with regard to price inflation, it was anticipated that this would fall consistently during 2012/2013 and be comfortably below the Bank of England target of 2%. The current rate of inflation (August 2012) indicates the Consumer Price Index (CPI) is 2.5% and the Retail Price Index (RPI) is 2.9% and is anticipated to fall slowly (but may be affected by oil price increases should supplies from Iran and neighbouring countries be affected).
- 5.8.2 In past years Watford has set a target for no increases in price inflation with most heads of expenditure being cash limited. The MTFS has assumed that will again apply throughout the five year profile and is based upon improved procurement and volume reductions to counter any inflation effects.
- 5.9 There will be exceptions to this cash limiting and that relates to any contracts where an inflationary uplift (such as RPI) has been built in. Inflation will also be applied to individual cost centre heads for all utility costs (gas, electricity, water) and fuel costs and for MTFS purposes provision of £70k year on year has been included and will be built into base estimates in due course.

6.0 Progress in Meeting Efficiency Targets

- 6.1 Budget Panel will recall that a 'Service Prioritisation' process identified circa £3m of efficiencies to be realised during the period 2011/2012 to 2013/2014. Periodic reports have been produced both for Budget Panel and Cabinet and which has identified progress to date. The latest review of anticipated savings in 2012/2013 indicate a shortfall of £196k (against a target of £943k of efficiencies) and largely comprises a review of some of the initial proposals.
- 6.2 The original Service Prioritisation process had anticipated a final residual saving of £228k in 2013/2014 and essentially was the deletion of Executive Director Services and Head of Strategic Finance posts. There is likely to be a delay until end of June 2013 in deleting the finance post and, in addition, the probable replacement Joint Section 151 officer post with Three Rivers will only realise a full year saving of 50% of the revised proposals. The net effect will be a shortfall in 2013/2014 of £120k, with a shortfall thereafter of £100k both of which need to be reflected within the MTFS.
- 6.3 The Council has sought to build upon the Service Prioritisation process through a 'Future Council Roadmap' which has attempted to generate a further £2m of savings and a detailed programme is being evaluated at the present time. The revised MTFS has however included an initial profiled target saving (but has allowed for a £350k contingency for possible non achievement).
- 6.4 As part of this process, an outsource of ICT Shared Services has taken place (results currently being evaluated), a review of the Internal Audit Shared Service function is in progress, and the potential outsourcing of waste, re-cycling, street cleansing and parks and open spaces has just commenced. Channel shift and greater use of the internet is also being pursued.

7.0 Forecast Net Expenditure

- 7.1 A revised Forecast net expenditure for the Council covering the period 2012/2013 to 2016/2017 has been reflected within a revised MTFS attached at **Appendix 1**. This indicates a revised net expenditure of £15,633k for 2012/2013 and represents a £733k potential increase in the budget and reflects the variations referred to in paragraphs 5.1 & 5.2. Projections are also shown for 2013/2014 onwards.

7.2 This information in isolation is of limited use as it needs to be related to the funding available to the Council and that is covered in subsequent sections of this report.

8.0 Central Government Funding

8.1 Central Government Review of Public Expenditure Targets

8.1.1 Central Government carried out a spending review in Autumn 2010 and which would apply for a four year period 2011/2012 to 2014/2015. The consequence of that review was that there was a statement that all local authorities would receive 28% less Government support in cash terms (over the 4 year period) than was received in 2010/2011. The reality was that District Councils were treated adversely and, with the effects of inflation, reductions for Watford was 28% for the first two years alone.

8.1.2 The original proposals within the Spending Review indicated that the reduction in Government funding (nationally) for 2013/2014 and 2014/2015 would be 2.8% and 7.2% respectively. In July 2012 the DCLG published a technical consultation paper relating to the wider issue of Business Rates Retention and stated ...'in order to insure that there will be sufficient funding available to fund the New Homes Bonus, we will be removing £2 billion (per annum) for the entire NHB period...'

8.1.3 The Paper then continues to discuss the impact upon 'Control Totals' and indicates that local authorities will receive a reduced level of general funding of 12.3% in 2013/2014 (compared to 2.8% originally), and 8.7% less (compared to 7.2% originally).

8.1.4 A subsequent addition to this technical paper was published on 23rd August and indicated that it may reduce the original top slice of £2 billion to a reduced figure of £845m in 2013/2014 and circa £1.2 billion in 2014/2015. This should still guarantee that the New Homes Bonus will be met in full. Whilst this represented good news the additional paper also produced exemplifications of the likely base starting point for the Business Rate Retention scheme and this information was far from re-assuring and is discussed at Paragraph 8.3 of this report.

8.1.5 The Chancellor of the Exchequer does not intend to announce the 'Autumn' Statement until 5th December and no firm information will be produced by the DCLG until after that announcement. This is clearly unsatisfactory for financial planning purposes but nevertheless the revised MTFS has attempted to interpret the mixed messages emanating from Whitehall. Appendix 1 therefore assumes a 10% cash reduction to Revenue Support Grant/ Business Rates in 2013/2014 and 2014/2015 with a 5% year on year cash reduction in 2015/2016 and 2016/2017.

8.1.6 The consequence for Watford is that Central Government general funding support is forecast to reduce by circa £1,030k over the two year period 2013/2015 and these losses need to be a major consideration when considering the New Homes Bonus in the next section of the Report.

8.2 New Homes Bonus

8.2.1 Exemplifications have been produced by colleagues within the Housing, Planning and Revenues Divisions and have taken into account new housing schemes in the pipeline and it is currently estimated that Watford will receive the following Government grant from the New Homes Bonus:

	£k
2012/2013	1,516
2013/2014	1,540
2014/2015	1,895
2015/2016	2,221
2016/2017	2,420

8.2.2 Undoubtedly a large proportion of this NHB will need to compensate for the anticipated significant reduction in general Government funding referred to at paragraph 8.1. It was also anticipated that part of this funding would be allocated to the Capital programme of the Council where there are annual housing initiatives of £800k financed annually. The revised MTFs at Appendix 1 indicates however that the NHB will be required to support the annual revenue budget (if council taxes are not to rise).

8.3 Business Rates Retention (BRR)

8.3.1 Since its original announcement (which was reported to Budget Panel on 12th June) the Government has watered down the original concept by:

- retaining 50% of all present and future business rate income as part of the current Revenue Support Formula Grant system
- introducing tapers and safety nets which reduces much of the impact at a local authority level. It is also heavily skewed whereby it has been estimated that the risk reward ratio is 3:1 slanted towards risks to local authorities with very little reward.

8.3.2 As referred to at paragraph 8.1.4 a technical paper has been published on 23rd August 2012 and which released all individual authorities provisional 'Proportionate Shares'. What this effectively means is that a calculation has been made of the past 5 years business rates bases for all authorities. For Watford it has calculated that the base position for business rates collection will be £63,853,794. This appears optimistic when actual and potential write offs have been taken into account. If this were to be confirmed then it would mean that Watford will be unlikely to collect this level of assumed income and would probably be a recipient of safety net protection. Further, if an artificially high base position is set at the outset then it is highly unlikely that any future growth will bring benefits as it would just move the business rate income closer to the unrealistic ceiling.

8.3.3 A further issue relates to assumptions to be made by the Treasury relating to the rate of business rate growth in the future. The Local Government Association is extremely concerned that forecasts are likely to be extremely optimistic and this again will disadvantage ('risk') authorities and provide no additional sources of income.

8.3.4 The original and additional technical consultation papers can be viewed on the DCLG website at:

<http://www.communities.gov.uk/publications/localgovernment/businessratestechnical>

8.3.5 The papers asked 84 separate questions many of which did not affect District Councils. As a consequence, the Head of Strategic Finance submitted a response that just covered the four main areas of concern and is reproduced below:

- Population: that the latest figures should be used (Interim 2011) rather than 2010 data (as Watford's population has increased and this should be recognised).
- New Homes Bonus: that only sufficient funding to finance the NHB/ capitalisation and safety net should be top sliced from the Revenue Support Grant system. The original intention was to top slice £2 billion regardless of whether it was required.
- Determining Proportionate Share: that it is optimistic and does not recognise the levels of write offs/ potential write offs –'in administration' that will actually occur.
- The Safety Net: in the light of the increased risk of shortfalls in Business rate Income, that the safety net should kick in after a 5% shortfall rather than the proposed 7.5% to 10% currently proposed.

8.3.6 The overall effect of potential shortfalls in business rates has been reflected within the assumption of a 10% year on year cash reduction in Revenue Support Grant/ Business Rates and as covered within Section 8.1.5 of this report.

8.4 Local Council Tax Benefit Scheme/ Universal Credit

8.4.1 The Government has previously announced a 10% reduction in the amount of benefit subsidy received by all local authorities in administering the Local CT Benefit scheme. In reality, due to increases in the volumes of benefits claimants in 2012/2013, the reduction may actually be closer to a 15% loss of subsidy. It has been assumed within this MTFS that, whatever the ultimate loss of subsidy, it will be compensated by changes implemented through a review of the local council tax benefit scheme.

8.4.2 It should be noted that many of the proposed amendments actually reduce current council tax discounts such as empty properties and will not directly affect the receipt of housing benefit. If these proposals are confirmed then the council tax base will increase and this is discussed at paragraph 9.2 below. No allowance for the potential effects of the introduction of Universal Credit in October 2013 (and the effect upon benefits administration) has been made within this revised MTFS.

9.0 Council Tax Base and Collection Levels

9.1 The net revenue expenditure of the authority is chiefly financed by Central Government support (Grant and Business Rates re-distribution) and from Council Tax. With regard to council tax the 'yield' is calculated by the actual council tax base (presented as 'Band D' equivalents), the collection levels of payment and the actual council tax levels set by the Council. The actual level will not be decided until January/ February 2013 when all relevant information is available.

9.2 The Council Tax Base is estimated geared to the latest information regarding the council tax base with an assumption for future net additional accommodation coming on stream. For the 2012/2013 budget setting a CT Base of 33,055 Band D equivalents (based on a 97.5% collection level) was assumed. The actual council tax base as at 31st March 2012 was 33,505 and reflects an increased supply of housing across the Borough. This is likely to increase further as part completions, reductions in numbers claiming single persons discount and empty property discounts take effect. The tax base is likely to be estimated to be 33,605 but this is based upon a 97.5% collection

level (see next paragraph of the report). Should a 97% collection level now be assumed then the Council Tax base (at Band D equivalents) would be 33,433 (and is directly comparable with 33,155 initially assumed for 2013/2014). It should be noted that any increase in the base due to reductions in discounts (and as referred to at paragraph 8.4.2) has not been included within these calculations at this point in time.

- 9.3 The levels of council tax collected can be adversely affected by the state of the economy and individual householders disposable income. In that respect, the past few years have been difficult for many parts of the community. The 2012/2013 Council Budget was prepared on the basis that 97.5% of all Council Tax would eventually be collected. The latest collection figures show that, as at the end of August, 46% has been received (against a target and last year actual of 46.5%). Recovery procedures are reasonably up to date and this reduced level of collection may well indicate pressures individuals are experiencing.
- 9.4 Should there be an ultimate shortfall in collection for 2012/2013 then it is anticipated that this can be met from the statutory Collection Fund operated by the Council on behalf of Watford/ Herts County Council and Herts Police Authority. This is because the actual council tax base for 2011/2012 (as referred to at paragraph 9.2) was higher than anticipated and should result in an overall surplus which would then be available to cushion any shortfall in collection levels in the current year. For 2013/2014 and future years the collection level and the Medium Term Financial Strategy has assumed a collection level of 97%.
- 9.5 In summary, this section of the report indicates that the council tax base will be higher than originally forecast, but that collection levels will be worse. For future years an annual increase in the council tax base of 100 per annum to reflect additional properties has been assumed and factors in the fact that there may be an increased number of exemptions in the future if current regulations change.

10.0 Levels of Council Tax

- 10.1 Decisions upon the level of council tax to apply for 2013/2014 will not be taken until February 2013 when all relevant factors are known. For the purposes of financial planning the MTFs has to make some assumptions so that the effect upon use of reserves / achievement of a sustainable budget can be assessed.
- 10.2 For the purposes of the revised MTFs attached at Appendix 1 it has been assumed that council tax will not increase in 2013/2014 and 2014/2015 but will rise by 2.5% annually thereafter. As a guide, a 1% increase in council tax increases the council's income by circa £84k.
- 10.3 It has been reported (although official notification is awaited at the time of producing this report) that there will again be a small incentive for authorities to freeze their council tax levels in 2013/2014. It would appear that authorities will not be allowed to increase council tax by more than 2% without holding a local referendum. For those authorities that decide not to increase council tax, then they will be entitled to one off freeze grant that equates to the yield from a 1% council tax increase. For Watford this would result in an extra £84k of government grant.
- 10.4 It should be recalled that a similar one off incentive was available in 2012/2013 and equated to a 2.5% council tax equivalent (£210k) which has been taken away from government grant in 2013/2014. This potential £84k continuation will help to reduce this reduction. In reality, there is no indication that this grant is additional 'money' and as most authorities will have little choice other than to 'freeze' (due to the effective cap

on any increase above 2%), then there is the probability that it will be funded by reducing the available RSG Formula Grant.

- 10.5 The revised MTFS has already assumed no increase in council tax in 2013/2014 and the anticipated reduction in government support (10% cash reduction) in 2013/2014 (paragraph 8.3.6 refers) will be unchanged by this latest 'incentive'.

11.0 Conclusions from The Revised MTFS

- 11.1 **Appendix 1** indicates forecast expenditure and corresponding funding over a five year perspective. Over that period expenditure is anticipated to fall from £15,633k to £15,299k (a 2.1% cash reduction; or circa 12% reduction when inflation is applied). With regard to Central Government funding (from all sources) that is anticipated to fall from £7,142k to £6,381k (an 11% cash reduction).

- 11.2 In order to produce a balanced budget expenditure and income must be the same and in the absence of additional government support can only come from levels of council tax or reserves. Assumptions regarding council tax has been discussed at Section 10 of this report and it is now necessary to consider the availability/ use of reserves.

12.0 Availability of Reserves

- 12.1 **Appendix 2** attached to this covering report details the Council's total holding of reserves and balances. It is important to stress that earmarked reserves generally cannot be accessed as they are set aside for specific purposes or, in the case of the Charter Place reserve, is not actually the Council's money.

- 12.2 A key question that is generally asked is 'what is the optimum level of reserves'. Opinion varies. The Secretary of State for Communities and Local Government would probably state 'as little as possible'. But that is not a sensible proposition. Paradoxically Watford's external auditors, Grant Thornton, take an opposite view as they wish to see a fair degree of resilience in order to meet any future adverse factors. It is certainly the case that some local authorities have reduced their levels of reserves (in order to avoid expenditure reductions) and might well be in a precarious position.

- 12.3 Watford would appear to have a good level of reserves and these have recently increased due to a few large 'balance sheet' favourable adjustments. There are however a number of **key risks** which have large financial 'penalties' attached to them and include:

- housing benefit subsidy is a £40m cost centre. The 2011/2012 claim for receipt of re-imburement from Central Government has yet to be audited by Grant Thornton. Should errors be discovered within the sample of benefit payments then this is 'extrapolated' as if it has been repeated throughout all calculations. Watford has suffered claw back of subsidy in the past.
- there is an ongoing legal issue about whether all local authorities will have to pay back land charge income they have received in respect of personal local land charge searches in the past. The Council will need to ensure that it has sufficient funds to pay either any settlement agreed or any adverse judgment against it. Whilst it would be hoped that the Government might cover this, the council has to assume for these purposes that it wont.
- A stock condition survey is to be carried out into the condition of the multi storey car parks in the near future. Any structural repair will be the responsibility of the Council. Whilst this would normally be a charge against the capital account, it is likely that all capital receipts will have been utilised. The

Council does of course have the option to borrow from Government to fund any structural works but it is possible that reserves will have to be utilised.

Alternatively, if the management of the car parks continues to be operated through the private sector then the works could be funded up front through private finance but our level of annual income would be reduced to finance the capital cost.

- Commercial rents also continues to be a potentially volatile area as the retail sector in particular is continuing to experience adverse trading conditions. In the short term whilst there will be redevelopment at Charter Place and possibly at Watford Business Park, then annual income may suffer. With regard to Charter Place, hopefully rent guarantees from Capital Shopping Centres will mitigate this risk
- Pay Inflation within the MTFs may well be understated. Whilst the Chancellor of the Exchequer in his Autumn 2011 Statement 'imposed' a 1% pay ceiling in 2013 & 2014 (following a pay freeze in 2011 & 2012) this is not binding on local authorities. Within the wider public sector industrial action is highly probable and some leeway may prove inevitable. It is understood that the local government employers may be considering a 3% pay award in April 2013 and if this were to occur, this would add £320k to base estimates in 2013/2014 onwards.
- Local Council Tax Benefit Scheme/ Universal Credit. Should the Council not achieve necessary reductions to compensate for loss of Central Government funding then a potential £150k shortfall would occur (this is based upon a 15% reduction in Government Funding). With regard to Universal Credit which is anticipated to be introduced in October 2013, no financial effects have been included within the MTFs. It is probable that Housing Benefit Administration Grant will be reduced (currently £680k in 2012/2013) as responsibility for much of the administration is due to be transferred to HMRC). Should staffing levels need to be reduced then the Government has indicated that TUPE would not apply and any severance costs would fall to individual local authorities.
- Business Rates Retention-has been fully covered at Section 8.3 of this report.

- 12.4 **Appendix 2** has analysed Reserves into three different categories Earmarked; Capital Related; and General. Attention should be focussed upon those reserves loosely defined as being "General". Even within this category however there are reserves such as the Housing Benefit Subsidy (£997k) and Pension Funding Reserve (£1,375k) which may ultimately be required for specific purposes. With this caveat the level of General Reserves is £8,455k.
- 12.5 Paragraph 11.2 referred to the need each year to produce a 'balanced' budget whereby expenditure and income are equal. By reference to the revised MTFs at **Appendix 1** the balancing line (under 'Funded By') is 'From Reserves to Fund Overspend' and this indicates for 2012/2013 £383,029 will need to be taken from reserves in order to produce a balanced budget.
- 12.6 Over the five year period 2012 to 2017, £1,873k of reserves are required to finance ongoing deficits within the revenue budgets. This may be an optimistic scenario as proposed Road Map savings have yet to be realised and issues arising from potential key risks may materialise.
- 12.7 If the Revised MTFs were to be an accurate forecast then the General Level of Reserves would reduce to £6,582k and the Council would need to give serious thought if this balance was allowed to fall below £5m.

12.8 Against this background reserves could be utilised as follows:

- stop making any further efficiency savings and allow the expenditure base to increase. Against this is the fact that Audit Commission Profiles in the past have indicated that Watford was high cost. Further, the end of year external audit report to the Audit Committee on 25th September 2012 also highlighted... 'the achievement of efficiency savings remains of vital importance in order that the Council is able to continue to maintain a strong level of balances..'
- selectively increase expenditure in some areas. The extent of this additional spend will be important as it will become entrenched within base budgets for the foreseeable future.
- freeze all fees and charges within our control and this effectively occurred in 2012/2013. Fees and Charges proposals will be considered by Budget Panel in the first instance at its meeting on 27th November.
- Reduce Council Tax. Over the past three years the Council has reduced CT by 1.4% in 2010/2011 and did not increase it in either 2011/2012 and 2012/2013. The revised MTFS has assumed no increase in 2013/2014 and 2014/2015. In general terms people welcome this level of stability. If council tax were to be reduced then it should ideally be sustainable in future years because a one off reduction followed by a next year increase does not aid household planning. Nationally, all local authorities are experiencing severe Central Government funding reductions and Watford's council tax payers might prefer to see services maintained rather than council tax reductions which might be viewed as a 'gimmick'.

13.0 CONCLUSION

13.1 The Revised MTFS has been updated to take into account latest (imperfect) financial knowledge. It indicates that the Council's medium term financial planning has been effective in avoiding sudden reductions in service delivery. It also indicates that there will be no immediate prospect of reductions in government funding being reversed.

13.2 What is also apparent however is that the sustainability of the revenue budgets is totally dependent upon utilising in full the New Homes Bonus. This should be reasonably secure for the duration of the current MTFS but should future government policy change (and the NHB funding was not ploughed back into general government grant support) then the Council would have a large deficit on its revenue account. This would of course apply to many other authorities.

13.3 Finally what the revised MTFS indicates is that the 2016/2017 budget (the last year of this planning period) would require a contribution of £213,913 from Reserves and the Council would not have achieved the ultimate aim of producing a sustainable budget.

14.0 IMPLICATIONS

14.1 Financial Issues

It is good practice to regularly review the Medium Term Financial Strategy because that will provide an early indication whether the 2013/2014 Budget can be delivered within available resources. This report does provide that level of re-assurance.

14.2 Legal Issues (Monitoring Officer)

The Head of Legal and Property Services comments that any legal implications are contained within the body of the report.

14.3 Potential Risks

Potential Risk	Likelihood	Impact	Overall score
That there will be an overspend in 2012/2013 (which cannot be financed)	4	2	8
That over the medium term the Council will be unable to finance its revenue budgets.	1	4	4

14.4 Staffing

No Direct implications as a result of this report.

14.5 Equalities

14.5.1 Watford Borough Council is committed to equality and diversity as an employer, service provider and as a strategic partner. In order to fulfil this commitment and its duties under the Equality Act 2010 it is important to demonstrate how policies, practices, and decisions impact on people with different protected characteristics. It is also important that the Council is not discriminating unlawfully when carrying out any of its functions.

14.5.2 This report provides an overview of the Council's financial position and does not detail any specific decisions that have equality implications.

14.6 Accommodation

None Directly

Appendices:

Appendix 1 Revised Medium Term Financial Strategy

Appendix 2 Detail of Reserves as at 1st April 2012

Background Papers:

Business Rates Retention Consultation Paper: at web site

<http://www.communities.gov.uk/publications/localgovernment/businessratestechnical>

MEDIUM TERM FINANCIAL STRATEGY
General Fund Budget Projections 2012/13 - 2016/17 as at 23-July 2012

	2012/13	2013/14	2014/15	2015/16	2016/17
Base	15,839,830	15,633,050	15,429,190	15,415,940	14,825,940
Service Prioritisation: Phase 1	(942,780)	(228,000)	-	-	-
Service Prioritisation shortfall	196,000	120,000	(20,000)	-	-
Savings per Cabinet 16-Jan-12	(70,000)	(37,170)	(2,250)	-	-
Variance on Community Safety					
Growth items in 12/13 that reduced in future years		(94,700)	(25,000)	-	-
Council Roadmap Efficiencies		(329,000)	(669,000)	(900,000)	(117,000)
Council Roadmap Contingency		-	100,000	250,000	-
Reduced Investment Interest		55,000	50,000	50,000	50,000
Commercial Rents	220,000	-	-	(200,000)	-
Homelessness Bed and Breakfast					
Revenues and Benefits: Reduced administration grant		21,000	-	-	-
Elections - cyclical profile		(80,000)	150,000	(70,000)	-
Shared Services - Operating Costs / Phase 2	200,000	(50,000)	(50,000)	-	-
Pay Inflation / Increments		309,010	210,000	210,000	360,000
Employer's Superannuation Contributions			160,000	160,000	160,000
Contract / Utilities / Fuel Inflation	100,000	70,000	70,000	70,000	70,000
Fees and charges shortfall		40,000	-	-	-
NDR Discretionary Rate Relief	70,000	-	-	-	-
Salaries-Property Division	20,000	-	(20,000)	-	-
Cultural Quarter reunning expenses			33,000	-	-
Net Expenditure	15,633,050	15,429,190	15,415,940	14,825,940	15,298,940
Funded By:					
RSG Formula Grant / redist. NDR	5,418,740	4,876,866	4,389,179	4,169,720	3,961,234
CLG Grant for Council Tax Freeze	206,460	204,688	204,688	-	-
New homes bonus	1,516,360	1,540,000	1,895,000	2,220,586	2,420,000
Planned contribution to Earmarked Reserves	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
From Reserves to fund overspend	383,029	604,735	699,188	(27,306)	213,193
	7,374,589	7,076,289	7,038,055	6,213,000	6,444,427
Council Tax Requirement	8,258,461	8,352,901	8,377,885	8,612,940	8,854,513
CTR target	8,258,461	8,352,901	8,377,885	8,612,940	8,854,513
Council Tax Base	33,055	33,433	33,533	33,633	33,733
Council Tax % increase	0.00	0.00	0.00	2.50	2.50
Average charge	249.84	249.84	249.84	256.09	262.49
Collection rate as a percentage	97.00	97.00	97.00	97.00	97.00

Corp director £135K + Dir Fin £93K
Based upon latest review
See cabinet report 16-Jan-12
See cabinet report 16-Jan-12
To be specified?

BJA200-N0204
FPA000-I0633
JAG000-B0307
BAK900-J0109
AGR000-D0101
Pending Shared Service budgets
Pending salary recalculations
2014/15 as advised by HCC Pensions
Pending inflation assumptions
Pending fees & charges report. Relates to non-CPZ
income and Recycling AFM payments

BJA300-N0301 / BJA300-N0304
BJA300-N0306
BJA300-N0308
BJA450-M0201-WRV026 (Vehicle resv)
BJA451-M0301-WRV025 (Econ impact)

BJA300-N0303

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Cost Centre	Description	Balance 1-Apr-2012
VHF000	General Fund	-1,350,000.00
<u>Earmarked Reserves</u>		
VFD000	Car Parking	-575,236.00
VGH000	Charter Place	-476,240.00
VGU000	Le Marie Centre	-12,868.00
VHL000	Rent Deposit	-100,000.00
VHM000	Homeless Prevention	-112,238.00
VNL000	Climate Change	-48,470.00
VNN000	Re-cycling	-11,700.00
VLU000	Budget Carry Forward	-301,337.00
	<i>Sub-total Earmarked Reserves</i>	-1,638,089.00
<u>Capital Financing Reserves</u>		
VLM000	Capital Fund	-2,182,642.00
VG0000	Multi-Storey Car Parks	-182,784.00
VHG000	Leisure Structural Maintenance	-422,513.00
VLN004	Vehicle Replacement	-425,000.00
	<i>Sub-total Capital Financing Reserves</i>	-3,212,939.00
<u>General Reserves</u>		
VHN000	Housing Benefit Subsidy	-996,616.00
VLS000	Performance Reward Grant	-119,908.00
VLL000	Invest To Save	-1,419,580.00
VLP000	LA Business Growth Incentive	-641,145.00
VLR000	Area Based Grant	-86,050.00
VLT000	Housing & PDG	-300,934.00
VLV000	Economic Impact	-1,250,276.00
VLQ000	New Homes Bonus	-542,497.00
VHK000	Exam In Public - LDF	-312,722.00
VLN002	Future Pension Funding	-1,375,000.00
VLN003	Insurance Fund	-100,000.00
VLW000	Development Sites - Decontamination	-1,310,324.00
	<i>Sub-total General Reserves</i>	-8,455,052.00
	Grand Total Reserves	-13,306,080.00

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Agenda Item 6

Report to: **Budget Panel**
Date of meeting: 23 October 2012
Report of: Partnerships and Performance Section Head
Title: Localisation of Council Tax Support – update on consultation

1.0 **SUMMARY**

- 1.1 Council Tax Benefit (CTB) will be abolished on 31 March 2013 and will be replaced by local schemes of Council Tax Support (CTS) devised by each local authority. Each Scheme will be cash limited at around 10% less than current expenditure. Local authorities have, within certain government parameters, a degree of choice as to how they devise their local scheme and how they manage the funding reduction.
- 1.2 Despite the fact that final government regulations are not be available until towards the end of 2012, authorities were required to develop and consult on any proposed scheme this summer in order to meet the government timetable for implementation (an agreed scheme by 31 January 2013).
- 1.3 Watford BC's proposed scheme was developed following discussions with Budget Panel in June 2012. Cabinet agreed the proposed scheme for consultation at the end of July 2012. Consultation ran from 15 August to 8 October 2012. The results of the consultation will be considered as part of the development of the final scheme, which will be presented to both Cabinet and Full Council in December.

2.0 **RECOMMENDATION**

- 2.1 Budget Panel is requested to consider the findings of the consultation on the local council tax support scheme and to refer their discussions on a proposed scheme for Watford to Cabinet on 3 December and Full Council on 5 December, where a final decision will be taken.

Contact Officer:

For further information on this report please contact: Kathryn Robson or Phil Adlard telephone extension 8077 / 8023

3.0 DETAILED PROPOSAL

3.1 Background

At the Budget Panel meeting in June 2012, Budget Panel considered proposed central government changes to the administration and funding of council tax benefit from 1 April 2013.

The essence of these changes is:

- Council tax benefit will be abolished on 31 March 2013. This means there will no longer be a national scheme. The national scheme will be replaced by local schemes of council tax support (CTS) devised by each local authority
- Local authorities must agree their local scheme by 31 January 2013 for implementation on 1 April 2013. If a local scheme is not agreed by this date, the government will impose a 'default' scheme that may well not suit local circumstances
- In addition, councils will face a reduction of at least 10% in the amount of council tax benefit subsidy. This means that Watford (and all other councils) will effectively suffer a reduction of at least 10% in its receipt of council tax benefit subsidy. It is estimated that this reduction will equate to £800k per annum for Watford and its preceptors (but may be higher when final figures are advised by the Department of Communities and Local Government - DCLG)
- The DCLG expect local authorities to fund this budget shortfall. This can be through reducing entitlement to council tax benefit or from further 'efficiencies' across the council's budget. However, the government has stated it will abolish the exemptions that are currently applied to empty homes. This provides an opportunity for Watford BC to review current level of discounts applied.
- Those who are of pensionable age and receiving council tax benefit at present are specifically protected and must continue to receive help with their council tax based on the current scheme

3.2 Consultation on the local council tax scheme

3.2.1 As part of the development of a local council tax support scheme, billing authorities (such as Watford BC) have to consult on their proposed scheme with 'major precepting authorities and such other persons as it considers likely to have an interest in the scheme'. Guidance on consultation was outlined in the DCLG publication - *Localising Support for Council Tax - A Statement of Intent – May 2012*.

3.2.2 A briefing paper was brought to Budget Panel in June 2012 outlining how Watford BC might approach its duty to consult and a proposed scheme was approved by Cabinet for consultation in late July. Consultation was launched on 15 August 2012 and officially closed on 12 October 2012 (responses were still be received via post in particular and so additional time was allowed for their return). This allowed for just over 8 weeks of consultation. Although this is less than the government recommended 12 weeks it has allowed for a significant amount of consultation activity – see 3.2.5 and all identified groups participated. Activity dropped significantly during weeks 6-8 weeks, which is a good indication that all those who wanted to share their views had taken the opportunity. However, given that the local scheme is not being presented to Cabinet until December, the survey can remain open for a further four weeks. Any further responses at this stage will not have an impact on the overall results but will be included in the figures reported to Cabinet and Full Council.

3.2.3 An interim report on the response to the consultation was brought to Budget Panel in September and Panel made some requests on progressing the consultation during the final phase. These included:

- Improving response rates (168 responses had been received as of 11 September)
- Encouraging responses from organisations within the town
- Reporting the feedback from those currently in receipt of benefit to ensure this group's responses could be assessed
- Ensuring that the consultation had not been unduly influenced by any particular groups

3.2.4 The elements of Watford BC's consultation process comprised:

Local council tax scheme survey

This involved the development of a **questionnaire** that outlined the options for the local council tax scheme and give people an opportunity to comment. The questionnaire is attached at **Appendix A**.

The survey was made available:

1. Online (via the internet)
2. Face to face (through drop in sessions at the Town Hall)
3. Over the phone (people could go through the survey on the phone with a member of Partnerships and Performance)
4. As hard copy (sent out on request with paid for reply envelope)

People were advised of the survey through:

1. News release that appeared in the Watford Observer (and online) and on Watford BC's website

2. Letter – sent to 3,700 current working age recipients of council tax benefit (August 2012)
3. Reminder letter – sent to 3,700 current working age recipients of council tax benefit (September 2012)
4. Email – to Watford Citizens’ Panel member for whom the council has an email address (circa 450 residents). This was to ensure the survey ascertained the opinion of a wider group of residents not just those currently in receipt of benefit
5. Emails – sent to relevant organisations:
 - Hertfordshire County Council (various recipients)
 - Hertfordshire Police
 - Registered Housing Providers
 - Members of PoSH
 - Local voluntary organisations (e.g. CAB, YMCA, Watford CVS)

3.3 **Responses to the local council tax consultation**

3.3.1 As of 14 October 2012, 433 responses had been received to the questionnaire. In addition, a written response had been received from Hertfordshire County Council, Hertfordshire Police and Watford CAB. This total was a significant increase on the 168 responses received when interim findings were reported to Budget Panel in early September.

3.3.2 In terms of accuracy, if the number of people who could possibly complete the survey is taken as the Watford population who are 16 plus then this would mean 72,000 people in total. A response of 433 gives a confidence interval of just over 95%, meaning that there is a 4.7% chance of the results being wrong which, statistically, is low enough to ignore.

3.3.3 Of the questionnaires received:

- 104 were paper copies
- 329 were online

Over 100 people chose to call the council to discuss the survey and its implications over the phone and approximately 30 came into the Town Hall. A further significant number of current recipients simply wanted to talk with someone about their situation and concerns but chose not to complete a questionnaire.

In addition, of those responding to the question as to whether they were

responding as individuals or as part of an organisation (413 in total):

- 405 responses were individuals
- 8 responses were organisations

Three other organisations chose to submit a written response – see 3.3.1 and **Appendix D**.

3.3.4 Sixty seven per cent of respondents said they were on council tax benefit. The survey responses can be filtered to find out this group's specific answers to questions, where appropriate and helpful.

3.4 **Overview of findings**

3.4.1 An overview of the findings of the survey is attached – **Appendix B**. This is raw data, which is then analysed to provide findings. For example, when analysing consultation results, 'don't know' answers are not included. Results in this report have been analysed from the raw data. Further analysis will be carried out over the next few weeks.

3.4.2 The first question asked within the survey was which of the two overall approaches to the Watford local council tax scheme people thought the council should adopt in order to find the level of savings required by the reduction in government funding:

The choice was between:

1. To reduce the council tax support that is received by all working age claimants by a fixed percentage. This will be in the region of 17% when compared to the amount of support a person is getting in council tax benefit this year
2. To make savings by identifying a range of reductions to the amount Watford BC pays to certain claimants. This would mean no one faces a reduction in their support as high as 17%

The reason the saving would be in the region of 17% is that the requirement to protect pensioners on council tax benefit means that proportionately the reduction in funding would fall on working age claimants.

There was a clear preference amongst the respondents for Option 2 – over three quarter of people wanted the council to identify a range of reductions. If analysis is done to identify the response from those currently on council tax benefit, the preference is even stronger. Eighty four per cent of those on benefit expressed a preference for the second option.

3.4.3 **Options for changing current discounts presented in the survey**
Respondents were asked to comment on the three options for changing

current discounts which are applied to those claiming benefits under the present scheme.

Option 1 - Level of savings

‘Under the current scheme you can’t receive council tax benefit if you have savings (money in the bank, shares etc) of more than £16,000. Option: We could reduce this limit for our council tax support scheme to £8,000 from April 2013’

Seventy five per cent of respondents agreed with this option. Revenues and Benefits has estimated that this would reduce the number of working age claimants by around 30 current recipients

Option 2 Non-dependent deductions

‘Under the current scheme, if you have an adult living with you (e.g. grown up son or daughter) we make a deduction from the council tax benefit we pay. Option: We could increase the level of deductions so they are double the current level’.

Just under two thirds (62%) of respondents agreed with this option. Some concerns were expressed that, given the current economic situation, young adults might be finding it hard to gain employment and contribute to household income. Revenues and Benefits has estimated this option would reduce the number of working age claimants by around 15.

Option 3 Capping support to the level of a Band D property

‘All properties have a council tax band (based on their value). These range from A – H (H being the most expensive properties). Under the current scheme you can receive support no matter what band property you live in. Option: We could cap the amount of support so that anyone in a Band E property or above will have their level of support calculated as if they lived in a Band D property’.

Just over two thirds (68%) of respondents agreed with this option. Revenues and Benefits has commented that this measure will have no affect on the number of working age claimants in receipt of council tax support but will reduce the average weekly award from £19.83 to £18.30.

In terms of people’s views on the impact of these options, options 2 and 3 were identified as those with the greatest potential to have an impact on their personal circumstances.

3.4.4 Options for changing exemptions

Respondents were then given an opportunity to comment on potential changes to current council tax exemptions.

Option 4 - Empty properties needing structural work

'At the moment, if a property is empty and needs structural work to make it fit to live in, no council tax is charged for up to 12 months. The government is planning to abolish this exemption and leave us to decide if we want to offer a discount from 0% to 100%. Option: We could stop granting any discount on empty properties needing structural work (i.e. 0% discount)'

Nearly three quarters (74%) of respondents agreed with this option.

Option 5 - Empty and unfurnished properties

'At the moment if a property is empty and unfurnished, no council tax is charged for up to 6 months. The government is planning to abolish this exemption and leave us to decide if we want to offer a discount from 0% to 100%. Option: We could stop granting any discount on properties that are empty and unfurnished (i.e. 0% discount)'

Eighty per cent of respondents agreed with this option.

Option 6 - Second homes

'At the moment, we grant a discount of 50% on council tax for properties classed as second homes. The government is planning to change the law so that councils can charge full council tax on second homes. Option: We could charge full council tax on second homes'

Nearly 90% of respondents agreed with this option

Option 7 - Empty homes premium

'The government is planning to allow councils to charge more council tax on a property that has been empty for more than 2 years. Option: We could charge an extra 50% where a property has been empty for more than 2 years'

Eighty five per cent of respondents agreed with this option.

3.5 Comments

- 3.5.1 Within the survey were opportunities for people to submit comments to add additional context to the statistical responses. These are attached as **Appendix C**. A significant number of comments were from people with disabilities and lone parents who expressed concern about their ability to work and become less reliant on benefits.

3.6 Profile of respondents and equality implications

- 3.6.1 As the local council tax scheme has been developed, an Equality Impact Analysis has also been progressed. This is important as the council will need to evidence that it has considered the equality implications of any

scheme that is introduced. The DCLG guidance (*Localising Support for Council Tax - A Statement of Intent – May 2012*) makes clear that the consultation feedback ‘should help identify where there may be any adverse impacts to any particular group’.

The survey included questions on all the protected characteristics identified under the Equality Act 2010. Below is an overview of the equality responses from the survey.

When we look at the profile of the respondents in terms of those currently on council tax benefit, there are some differences to note. These figures are in bold.

From the answers to these questions we can identify that:

- 57% of respondents were female (**58% female**)
- 12% of respondents have been pregnant in the last two years (**13%**)
- 70% of respondents were white British (**64%**), 8% were any other white background (**9%**), 4% were African (**5%**), 6% were Pakistani (**8%**), 4% were any other Asian background (**4%**)
- 37% of respondents had some form of disability (**48%**)
- the highest response in terms of age was in the age group 45-54 years (32%) (**34%**)
- 47% of respondents were Christian (**46%**), 30% had no religion (**29%**) and 11% were Muslim (**15%**)
- 94% were heterosexual (**93%**) and 99% were the same gender as assigned at birth (**99%**)
- 38% were married (**30%**) and 33% (**35%**) never married

This information will be used to support the further development of the Equality Impact Analysis.

4.0 IMPLICATIONS

4.1 Financial

4.1.1 Central Government proposals mean that Watford Borough Council and its preceptors (Hertfordshire County Council & Hertfordshire Police Authority) will experience a shortfall in funding of at least £800k per annum. Recent exemplifications seem to suggest this may be understating the position and that the shortfall may be closer to £900k (final figures will not be known until the autumn).

4.1.2 There is no wish across the county to increase the level of council tax to meet any funding deficit. This would impact on all council tax payers. Any decision will be painful to those clients who are affected but regrettably there are limited alternatives to those outlined in the proposed scheme.

4.1.3 Cabinet met on 8 October 2012 and, as part of the review of the Medium Term Financial Strategy, considered making provision for a reduction in Council Tax collection from 97.5% (2012/13) to 97.0% (2013/13)

4.2 **Legal Issues**

4.2.1 The Head of Legal and Property Services comments that If no scheme is decided by 31 January 2013, a “default scheme” will be imposed. This default scheme largely replicates the current local council tax benefit scheme.

In addition, a billing authority that does not consult in accordance with the requirements of the Local Government Finance Bill prior to adopting a local scheme may be vulnerable to a judicial review of any decision to implement their local scheme. A challenge could come from major precepting authorities if they have not been consulted fully, or local tax payers.

4.3 **Equalities**

4.3.1 Equalities issues are being considered as the local scheme is developed. Watford BC’s approach is outlined in 3.6.

4.4 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall Score
That consultation is not considered during the development and agreement of the local scheme, which may make it vulnerable to a judicial review	1	3	3
That a robust Equality Impact Analysis is not developed to support decision making	1	4	4

4.5 **Staffing & Accommodation**

There are no staffing or accommodation implications arising out of this report

Appendices

- Appendix A Watford BC - Local council tax scheme questionnaire 2012
- Appendix B Unanalysed local council tax scheme survey results
- Appendix C Local council tax scheme survey comments
- Appendix D Individual feedback – Hertfordshire County Council, Hertfordshire Police Authority, Watford CAB

Background papers

- Localising Support for Council Tax - A Statement of Intent (CLG)
- Watford BC Council Tax Support Scheme draft



Watford Borough Council Local Council Tax Support Consultation 2012

Why are we consulting

The government is proposing to abolish the national scheme for council tax benefits (CTB) for those who may have difficulty in paying their council tax bills on 31 March 2013.

All councils have to replace the national scheme with their own local one, called a council tax support scheme. To ensure we have a scheme that suits our borough we are consulting on proposals for our new scheme.

Watford Borough Council's local scheme will have to take into account the following:

1. The amount the government will give to each council to fund the local scheme will be 10% less than it gave under the current council tax benefit scheme. This means that Watford will receive around £780,000 less from the government so it will need to look at ways to make this saving. It means we have to make some difficult decisions about who gets financial support and how much
2. Pensioners will be protected from any changes that a new scheme will introduce and will have their support calculated the same way as they are now

If the council wanted to keep the current CTB scheme (so not reducing the council tax support it pays) it would need to fund the extra cost itself, which would mean an increase in council tax for everyone or cost reductions in other services provided by the Council.

Instead, Watford is proposing a new scheme that is as fair as possible and in line with the needs of the community. The council is consulting with residents and other interested stakeholders from 15 August to 8 October 2012 to find out their views. Feedback from this consultation will be used by the council's Cabinet in deciding the detail of the new scheme later in the year.

The new scheme will start from 1 April 2013.

Who will be affected?

Apart from pensioners, everyone of working age currently entitled to council tax benefit will potentially be affected so it's important to have your say. As the scheme concerns Watford's local approach to support for council tax, we are keen to receive views from all residents whether or not they currently claim benefit and from the voluntary sector and relevant advice organisations. The information you provide will be treated confidentially and used solely by Watford Borough Council.

Our local scheme

Watford Borough Council will need to reduce the amount it pays in council tax support to people who are working age so that it does not increase the council tax that everyone will have to pay.

There are **two** options under consideration, which we would like you to comment on. These are:

Option 1

To reduce the council tax support that is received by **all** working age claimants by a fixed percentage.

This will be in the region of **17%** when compared to the amount of support a person is getting in council tax benefit this year

Option 2

To make savings by identifying a range of reductions to the amount Watford BC pays to certain claimants. This would mean no one faces a reduction in their support as high as 17%

Q1. Considering the two options for Watford's local scheme outlined above, which do you think should be taken forward: Please tick one box only

Option 1

Reduce the council tax support for all working age claimants by 17%

Option 2

Identify a range of reductions to payments made to certain claimants so no one faces a 17% reduction in their support

If Watford BC were to take forward Option 2 there are a number of options that have been identified to help achieve the savings needed. These are outlined below:

Q2. Please indicate if you agree or disagree with the following options on discounts that Watford BC could introduce as part of its local council tax scheme:

		Agree	Disagree	Don't know
Option 1	<p>Level of savings Under the current scheme you can't receive council tax benefit if you have savings (money in the bank, shares etc) of more than £16,000.</p> <p>Option: We could reduce this limit for our council tax support scheme to £8,000 from April 2013.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Option 2	<p>Non-dependent deductions Under the current scheme, if you have an adult living with you (e.g. grown up son or daughter) we make a deduction from the council tax benefit we pay.</p> <p>Option: We could increase the level of deductions so they are double the current level.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Option 3	<p>Capping support to the level of a Band D property All properties have a council tax band (based on their value). These range from A – H (H being the most expensive properties). Under the current scheme you can receive support no matter what band property you live in.</p> <p>Option: We could cap the amount of support so that anyone in a Band E property or above will have their level of support calculated as if they lived in a Band D property.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Even if we did take forward the three options above, the savings we would make would not be enough to cover the £780,000 cut in our budget.

As a result Watford BC is also considering the following options that affect current exemptions and other charges. Many of these options will help discourage owners from leaving properties empty and help increase the number of properties available within the borough.

Q3. Please indicate if you agree with the following options on exemptions and other charges that Watford BC could introduce as part of its local council tax scheme:

		Agree	Disagree	Don't know
Option 4	<p>Empty properties needing structural work At the moment, if a property is empty and needs structural work to make it fit to live in, no council tax is charged for up to 12 months.</p> <p>The government is planning to abolish this exemption and leave us to decide if we want to offer a discount from 0% to 100%.</p> <p>Option: We could stop granting any discount on empty properties needing structural work (i.e. 0% discount)</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Option 5	<p>Empty and unfurnished properties At the moment if a property is empty and unfurnished, no council tax is charged for up to 6 months.</p> <p>The government is planning to abolish this exemption and leave us to decide if we want to offer a discount from 0% to 100%.</p> <p>Option: We could stop granting any discount on properties that are empty and unfurnished (i.e. 0% discount)</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Option 6	<p>Second homes At the moment, we grant a discount of 50% on council tax for properties classed as second homes.</p> <p>The government is planning to change the law so that councils can charge full council tax on second homes.</p> <p>Option: We could charge full council tax on second homes</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Option 7	<p>Empty homes premium The government is planning to allow councils to charge more council tax on a property that has been empty for more than 2 years</p> <p>Option: We could charge an extra 50% where a property has been empty for more than 2 years</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q4. Are you?

- An organisation (**please go to Question 5**)
- An individual (**please go to Question 6**)

Q5. Are you responding to this consultation in your capacity as a representative of any of the following?

- Voluntary organisation
- Advice organisation
- Precepting body
- Housing association
- Landlord
- Other (please write in)

.....

PLEASE GO TO THE END OF THE SURVEY – QUESTION 21 – FINAL COMMENTS

Q6. Do you pay council tax to Watford Borough Council?

- Yes
- No

Q7. Do you currently receive council tax benefit?

- Yes
- No

Q8. Would any of the changes outlined above impact your household?

- Yes (go to Q9)
- No (go to Q10)

Q9. If yes, which one(s)?

- | | |
|--|---|
| <input type="checkbox"/> Option 1 – Level of savings | <input type="checkbox"/> Option 4 – Empty properties needing structural work |
| <input type="checkbox"/> Option 2 – Non-dependent deductions | <input type="checkbox"/> Option 5 – Empty and unfurnished properties |
| <input type="checkbox"/> Option 3 – Capping support to the level of a Band D property | <input type="checkbox"/> Option 6 – Second homes |
| | <input type="checkbox"/> Option 7 – Empty homes premium |

About You

It would be very helpful if you could complete this part of the survey. The information you give us will help us find out if all sections of the community are taking the opportunity to share their views on the future of our services. All the questions are voluntary and your answers will be completely anonymous and not used for any other purposes. They are, in the main, in line with the questions asked in the Census 2011.

Q10. Are you

Male

Female

Q11. To which of these groups do you consider you belong to?

White or White British

English / Welsh / Scottish / Northern Irish / British

Gypsy or Irish Traveller

Irish

Any other White background (✓ and write in below)

.....
Mixed / multiple ethnic groups

White & Black Caribbean

White & Black African

White & Asian

Any other mixed / multiple ethnic background (✓ and write in below)

.....

Black or Black British

Caribbean

African

Any other Black background (✓ and write in below)

.....

Asian or Asian British

Indian

Pakistani

Bangladeshi

Chinese

Any other Asian background (✓ and write in below)

.....

Other ethnic group

Arab

Other ethnic group (✓ and write in below)

.....

Q12. Are your day-to-day activities limited because of a health problem or disability which has lasted, or is expected to last, at least 12 months?

- Yes, limited a lot
- Yes, limited a little
- No

Q13. Please indicate your current age group.

- | | | | |
|----------------------|--------------------------|----------------------|--------------------------|
| 16 to 24 years | <input type="checkbox"/> | 55 to 59 years | <input type="checkbox"/> |
| 25 to 34 years | <input type="checkbox"/> | 60 to 64 years | <input type="checkbox"/> |
| 35 to 44 years | <input type="checkbox"/> | 65 to 70 years | <input type="checkbox"/> |
| 45 to 54 years | <input type="checkbox"/> | 70 years + | <input type="checkbox"/> |

Q14. What is your religion or belief?

- | | | | |
|---|--------------------------|------------------------------------|--------------------------|
| No religion..... | <input type="checkbox"/> | Muslim | <input type="checkbox"/> |
| Buddhist | <input type="checkbox"/> | Sikh | <input type="checkbox"/> |
| Christian (including Church of England, Catholic, Protestant and all other Christian denominations) | <input type="checkbox"/> | Any other religion, write in | <input type="checkbox"/> |
| Hindu | <input type="checkbox"/> | | |
| Jewish | <input type="checkbox"/> | | |

Q15. How would you define your sexual orientation?

- | | | | |
|--------------------|--------------------------|---------------|--------------------------|
| Heterosexual | <input type="checkbox"/> | Lesbian | <input type="checkbox"/> |
| Bisexual | <input type="checkbox"/> | | |
| Gay | <input type="checkbox"/> | | |

Q16. What is your legal marital or same-sex civil partnership status?

- | | | | |
|---|--------------------------|---|--------------------------|
| Never married and never registered a same-sex civil partnership | <input type="checkbox"/> | In a registered same-sex civil partnership | <input type="checkbox"/> |
| Married | <input type="checkbox"/> | Separated, but still legally in a same-sex civil partnership | <input type="checkbox"/> |
| Separated, but still legally married | <input type="checkbox"/> | Formerly in a same-sex civil partnership which is now legally dissolved | <input type="checkbox"/> |
| Divorced | <input type="checkbox"/> | Surviving partner from a same-sex civil partnership | <input type="checkbox"/> |
| Widowed | <input type="checkbox"/> | | |

Q17. *Is your gender identity the same as the gender you were assigned at birth.*

Yes

No

Q18. *Have you been pregnant or had maternity leave from work within the last two years?*

Yes

No

Q19. *Would you say that any of the following describe you or your household?
Please tick as many as apply to you*

- A lone parent with one or more children under the age of five
- A lone parent with all children above the age of five
- Living with a partner and one or more children under the age of five
- Living with a partner and with one or more children all above the age of five
- A carer
- A household with full and/or part-time workers
- A household that includes someone who is disabled
- A single person household or a couple without children
- None of them
- Don't know



Q20. *Please add any additional comments if you feel the proposed council tax scheme changes will affect you more because of your membership of any of the above groups.*

Final Comments

Q21. **Do you have any additional comments on the proposed local council tax scheme you would want us to consider.**

Thank you very much for taking part in this survey

1. Considering the two options outlined above for Watford's local scheme which do you think should be taken forward

		Response Percent	Response Count
Option 1 Reduce the council tax support for all working age claimants by 17%		23.1%	94
Option 2 Identify a range of reductions to payments made to certain claimants so no one faces a 17% reduction in their support		76.9%	313
		answered question	407
		skipped question	26

2. Please indicate if you agree with the following options on discounts that Watford BC could introduce as part of its local council tax scheme:

	Agree	Disagree	Don't know	Response Count
<p>Option 1 - Level of savings Under the current scheme you can't receive council tax benefit if you have savings (money in the bank, shares etc) of more than £16,000. Option: We could reduce this limit for our council tax support scheme to £8,000 from April 2013.</p>	68.0% (280)	22.3% (92)	9.7% (40)	412
<p>Option 2 Non-dependent deductions Under the current scheme, if you have an adult living with you (e.g. grown up son or daughter) we make a deduction from the council tax benefit we pay. Option: We could increase the level of deductions so they are double the current level.</p>	51.2% (209)	31.4% (128)	17.4% (71)	408
<p>Option 3 Capping support to the level of a Band D property All properties have a council tax band (based on their value). These range from A – H (H being the most expensive properties). Under the current scheme you can receive support no matter what band property you live in. Option: We could cap the amount of support so that anyone in a Band E property or above will have their level of support calculated as if they lived in a Band D property.</p>	56.1% (230)	27.1% (111)	16.8% (69)	410
			answered question	415
			skipped question	18

3. Please indicate if you agree with the following options on exemptions and other charges that Watford BC could introduce as part of its local council tax scheme:

	Agree	Disagree	Don't know	Response Count
<p>Option 4 Empty properties needing structural work At the moment, if a property is empty and needs structural work to make it fit to live in, no council tax is charged for up to 12 months. The government is planning to abolish this exemption and leave us to decide if we want to offer a discount from 0% to 100%. Option: We could stop granting any discount on empty properties needing structural work (i.e. 0% discount)</p>	65.2% (264)	23.2% (94)	11.6% (47)	405
<p>Option 5 Empty and unfurnished properties At the moment if a property is empty and unfurnished, no council tax is charged for up to 6 months. The government is planning to abolish this exemption and leave us to decide if we want to offer a discount from 0% to 100%. Option: We could stop granting any discount on properties that are empty and unfurnished (i.e. 0% discount)</p>	73.5% (299)	18.9% (77)	7.6% (31)	407
<p>Option 6 Second homes At the moment, we grant a discount of 50% on council tax for properties classed as second homes. The government is planning to change the law so that councils can charge full council tax on second homes. Option: We could charge full council tax on second homes</p>	85.0% (347)	10.3% (42)	4.7% (19)	408
<p>Option 7 Empty homes premium The government is planning to allow councils to charge more council tax on a property that has been empty for more than 2 years. Option: We could charge an extra 50% where a property has been empty for more than 2 years</p>	76.9% (313)	13.5% (55)	9.6% (39)	407
answered question				410

skipped question

23



4. Are you?

		Response Percent	Response Count
An organisation		1.9%	8
An individual		98.1%	404
answered question			412
skipped question			21



5. Are you responding to this consultation in your capacity as a representative of any of the following?

		Response Percent	Response Count
Voluntary organisation (please give details below)		20.0%	2
Advice organisation (please give details below)		10.0%	1
Precepting Body (please give details below)		0.0%	0
Housing association (please give details below)		40.0%	4
Landlord (please give details below)		0.0%	0
Other (please give details below)		30.0%	3
Please write in details			6
answered question			10
skipped question			423



6. Do you pay council tax to Watford Borough Council?

		Response Percent	Response Count
Yes		76.9%	307
No		23.1%	92
answered question			399
skipped question			34








7. Do you currently receive council tax benefit?

		Response Percent	Response Count
Yes		67.5%	272
No		32.5%	131
answered question			403
skipped question			30



8. Would any of the changes outlined above impact your household?

		Response Percent	Response Count
Yes		36.5%	146
No		63.5%	254
answered question			400
skipped question			33



9. If yes, which one(s)?

		Response Percent	Response Count
Option 1 – Level of savings		36.2%	46
Option 2 – Non-dependent deductions		40.2%	51
Option 3 – Capping support to the level of a Band D property		40.2%	51
Option 4 – Empty properties needing structural work		3.9%	5
Option 5 - Empty and unfurnished properties		7.9%	10
Option 6 – Second home		4.7%	6
Option 7 – Empty homes premium		4.7%	6
answered question			127
skipped question			306

10. Are you male or female?

		Response Percent	Response Count
Male		42.9%	163
Female		57.1%	217
answered question			380
skipped question			53

11. Have you been pregnant or had maternity leave from work within the last two years?

		Response Percent	Response Count
Yes		12.9%	27
No		87.1%	183
answered question			210
skipped question			223

12. To which of these groups do you consider you belong to?

		Response Percent	Response Count
English / Welsh / Scottish / Northern Irish / British		69.8%	270
Gypsy or Irish Traveller		0.0%	0
Irish		1.0%	4
Any other White background (please tick and write below)		8.3%	32
Caribbean		0.5%	2
African		3.9%	15
Any other Black background (please tick and write below)		0.5%	2
Indian		1.0%	4
Pakistani		6.2%	24
Bangladeshi		0.5%	2
Chinese		0.8%	3
Any other Asian Background (please tick and write below)		3.6%	14
White and Black Caribbean		0.3%	1
White and black African		0.0%	0
White and Asian		0.3%	1
Any other mixed / multiple ethnic background (please tick and write below)		0.3%	1
Arab		0.3%	1
Any other ethnic group (please tick and write below)		2.8%	11
	Any other ethnic group		50
answered question			387
skipped question			46







13. Are your day-to-day activities limited because of a health problem or disability which has lasted, or is expected to last, at least 12 Months

		Response Percent	Response Count
Yes, limited a lot		22.9%	90
Yes, limited a little		14.0%	55
No		63.1%	248
answered question			393
skipped question			40





14. Please indicate your current age group.

		Response Percent	Response Count
0-15 years		0.0%	0
16-24 years		1.8%	7
25-34 years		12.8%	51
35-44 years		28.5%	113
45-54 years		32.0%	127
55-64 years		20.4%	81
65+		4.5%	18
answered question			397
skipped question			36

15. What is your religion or belief?

		Response Percent	Response Count
No religion		31.0%	118
Buddhist		1.8%	7
Christian (including Church of England, Catholic, Protestant and all other Christian denominations)		47.2%	180
Muslim		11.3%	43
Sikh		0.0%	0
Jewish		1.8%	7
Any other religion		6.8%	26
		answered question	381
		skipped question	52

16. How would you define your sexual orientation?

		Response Percent	Response Count
Heterosexual		94.2%	306
Bisexual		2.8%	9
Gay		1.5%	5
Lesbian		1.5%	5
		answered question	325
		skipped question	108











17. What is your legal marital or same-sex civil partnership status?

		Response Percent	Response Count
Never married and never registered a same-sex civil partnership		32.7%	125
Married		38.5%	147
Separated, but legally married		6.8%	26
Divorced		18.6%	71
Widowed		2.9%	11
In registered same-sex civil partnership		0.3%	1
Separated, but still legally in a same-sex civil partnership		0.3%	1
Formerly in a same-sex civil partnership which is now legally dissolved		0.0%	0
surviving partner from a same-sex civil partnership		0.0%	0
		answered question	382
		skipped question	51

18. Is your gender identity the same as the gender assigned at birth.

		Response Percent	Response Count
Yes		99.4%	355
No		0.6%	2
		answered question	357
		skipped question	76

19. Would you say that any of the following describe you or your household? Please tick as many as apply to you

		Response Percent	Response Count
A lone parent with one or more children under the age of five		7.8%	28
A lone parent with all children above the age of five		13.9%	50
Living with a partner and one or more children under the age of five		11.1%	40
Living with a partner and with one of more children all above the age of five		17.2%	62
A carer		6.1%	22
A household with full and/or part-time workers		19.9%	72
A household that includes someone who is disabled		18.3%	66
A single person household or a couple without children		27.7%	100
None of them		8.0%	29
Don't know		1.7%	6
answered question			361
skipped question			72

20. Please add any additional comments if you feel the proposed council tax scheme changes will affect you more because of your membership of any of the above groups.

	Response Count
	105
answered question	105
skipped question	328

21. Do you have any additional comments on the proposed local council tax scheme you would want us to consider.

	Response Count
	107
answered question	107
skipped question	326

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Local council tax support scheme- survey 2012

Analysis of qualitative feedback / Comments

Question 20: Please add any additional comments if you feel the proposed council tax scheme changes will affect you more because of your membership of any of the above groups.

- The largest group of those who responded to this question were those with disabilities. Some are permanently unable to work, others are only able to work periodically and comment that work is difficult to find.
- The next largest group who commented is lone parents. Those with young children either feel unable to work or say that the cost of childcare is too high to make it a feasible prospect. Several are making efforts to support themselves and one is studying to improve his or her job prospects.
- A small number of people (3) are concerned about the continuation of the discount for single person occupancy
- 2 people plead the case of those whose properties are in a higher council tax band, while 1 person says higher band properties should be taxed in full.
- 2 people commented on the “extremely personal” questions, while most people have answered them.

Those expressing concern about the possibility of a reduction in council tax support are:

- concerned about this being introduced at the same time that some of them may experience a reduction in housing benefit if their accommodation has more capacity than required
- concerned about the rising cost of food, fuel and rent. Several indicate that they will be unable to juggle resources to absorb any reduction in income.

Question 21: Do you have any additional comments on the proposed local council tax scheme you would want us to consider?

Some of the comments respondents make echo the points bulleted above. Other remarks include the following:

- A small number of respondents suggest the council saves money elsewhere, by cutting staff numbers or doing without an elected Mayor, for instance.
- Several people suggest that if adult non-dependants are not working the benefit recipient should not be penalised.
- Several people do not believe that empty unfurnished properties should be liable for council tax if uninhabitable.
- 1 person thinks it would be better to “allow property owners a tax break to make a home habitable in order that someone can live there and then pay tax.”
- A few people think it odd that pensioners should be exempt from any reduction in support, while other needy groups, particularly disabled people, are not protected.
- One person makes the point that he or she has spent 2 years looking for work, exhausting their savings in the attempt, and only then claimed council tax benefit and housing support.

Responses from organisations are reproduced here in full:

- We estimate that, across our business, if all our partner local authorities were to require us to pay full council tax in these circumstances, the cost to Paradigm would be in the region of £120,000. This would need to be paid for ultimately by tenants via rental income, clearly resulting in a reduction in the amount of money available for maintaining property. One argument some local authorities are putting forward is to dissuade landlords from keeping property empty. This is not really relevant to us – we already work hard to minimise void turnaround times to increase the supply of property and to minimise our rent loss. If LAs wish to maintain pressure on landlords, they could do this perhaps by introducing charging after an initial 4 week period. Our void turnaround time is 21 days for general needs property – surely it is not cost effective for LAs to collect such small sums of money. [Paradigm]
- The council should be looking to apply the reduction in the simplest manner across all claimants. Alternatives are complex and waste taxes in the cost of administration. Complex rules are also difficult for claimants to understand and increase the chance of error or fraudulent claim. In question 16, why is there no reference to married individuals, living with spouses, who are also the majority of council tax payers? [It is assumed that this is a response from an organisation, although there is nothing to identify the source.]
- The proposal to cut entitlement for working age claimants by 17% might realise the 10% saving the government are expecting councils to make in respect of spending on CTB/CTS. However, in my opinion this proposal will result in an increase in the cost of Council Tax recovery and it is unlikely the council will ever collect much of the debt created by restricting CTS entitlement. A single person in receipt of JSA or ESA, for example, will not be able to afford to pay their £200 Council Tax bill (based on the current charge for a Band B property), especially if they have also had their Housing Benefit cut due to the LHA changes. It is likely the council will end up writing off at least some of the debt that will accrue, as the cost of going through the recovery process will cost as much as the original bill (probably more in some cases) with no guarantee of getting the money back. Even if the council can do an AOB, the debt will only be paid off at less than £4.00 per week. Doubling non-dependent charges relies on the liable person in the household being able to get their non-dependants to contribute their share of the increased bill. This is not a guarantee and could land some claimants with a huge debt they cannot afford. I agree with most of the proposals to amend empty property discounts, and with the restriction to a Band D charge when calculating CTS. Instead of the other changes proposed, I would prefer to see the abolition of Second Adult Rebate; an end to the disregards in respect of Child Benefit and Child Maintenance; a restriction on backdates to 3 months; an end to backdating beneficial changes in circumstances; a cut in the capital limit to £10,000 rather than £8,000; and an increase in tariff income to £2.00 for every £250. [This is assumed to be the response from an organisation, although not identified.]
- Having to pay council tax on empty properties would be an additional cost which takes from the money to maintain our properties. Also concerned the effects of an across the board reduction in Council Tax Support for working age tenants. This will be an additional amount for tenants to pay who may also have reductions of income due to [the] affects (sic) of welfare reform changes such as the under occupancy rules and benefit cap. [Assumed to be the response of an organisation, although not identified.]
- Increasing Council Tax when an adult lives with the occupier is a sound principle. However, in many cases this could lead to young people becoming a greater financial burden to the occupier. Given the significant and increasing issue of

parental eviction causing homelessness in young people, the YMCA would strongly oppose such a move.

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Corporate Services
Director of Resources and Performance



Bernard Clarke
Head of Strategic Finance
Watford Borough Council
Town Hall
Watford
Hertfordshire
WD17 3EX

**County Hall
Hertford
Herts SG13 8DE**

Tel: 01992 555737
Fax: 01992 555711
Contact: Claire Cook
E mail: Claire.Cook@hertfordshire.gov.uk
My ref: MP/CC/mgb
Your ref:
Date: 26 September 2012

Dear Bernard

Consultation on Proposals for Localised Council Tax Benefit Scheme

The authority welcomes the opportunity to respond to the consultation on a localised council tax benefit scheme for Watford Borough Council.

The design of a local scheme which embraces the principles agreed by the Hertfordshire Leaders at their meeting on 16th July 2012 is welcomed, in particular the objective of not passing on any increase to Council Tax payers. As you are aware, any shortfall in the implementation of the discount scheme is likely to result in either further service savings or an increase in council tax levels for this authority.

This authority's preference would be for your preferred scheme, given that any alternatives that you propose would not necessarily deliver against the principles agreed by the Hertfordshire Leaders.

There will be a requirement for all authorities to work closely together to understand and recognise the risks of managing the potential impact of reduced collection rates and further demographic growth. I welcome the opportunity to continue to work with you on these areas.

Yours sincerely

A handwritten signature in black ink, appearing to read "Mike Parsons".

Mike Parsons
Director of Resources & Performance

www.hertsdirect.org



**HERTFORDSHIRE
POLICE AUTHORITY**

Kathryn Robson
Watford B.C.

Tel: (01992) 556621
Fax: (01992) 555625
Email: james.hurley@herts.pnn.police.uk

Date: 8 October 2012

Dear Ms Robson

Consultation on Proposals for Localised Council Tax Benefit Scheme

The Police Authority welcomes the opportunity to respond to the consultation on a localised council tax benefit scheme for Watford B.C..

The design of a local scheme which embraces the principles agreed by the Hertfordshire Leaders at their meeting on 16th July 2012 is welcomed, in particular the objective of not passing on any increase to Council Tax payers. As you are aware, any shortfall in the implementation of the discount scheme is likely to result in either further service savings or an increase in council tax levels for this authority.

This authority's preference would be for your preferred scheme, given that any alternatives that you propose would not necessarily deliver against the principles agreed by the Hertfordshire Leaders.

There will be a requirement for all authorities to work closely together to understand and recognise the risks of managing the potential impact of reduced collection rates and further demographic growth. I welcome the opportunity to continue to work with you on these areas.

Yours sincerely

James Hurley
Treasurer – Hertfordshire Police Authority

Leahoe House, Pegs Lane, Hertford, Hertfordshire, SG13 8DE
Telephone: 01992 556600; Fax: 01992 555625
Email:enquiries.hpa@herts.pnn.police.uk
www.hertspa.org

Citizens Advice Bureau

Response to Watford Borough Council Local Council Tax Support Consultation 2012.

Watford Citizens Advice Bureau appreciates that the localisation of council tax support will give the council 10% less government funding than it has presently has. We also appreciate that the timetable for implementing the new scheme is very tight as the new Local Council Tax Support Scheme must be in place by the end of January 2012. We have given consideration to each option proposed.

Option 1 – to reduce the Council Tax Support for all working age claimants

Option 2 – Identify a range of reductions to payments made to certain claimants

There has to be a trade-off between protecting those with the lowest incomes and the impact of the scheme on incentives to work. Reforms that means test aggressively lead to weaker work incentives than those that reduce support for all claimants.

Reducing entitlements for all working age claimants, even those on the lowest incomes means households who have historically been used to not paying council tax would have to pay some council tax. The poll tax experience showed how difficult this can be. Reducing or eliminating support for properties in higher council tax bands also involves starting to collect council tax from some households with little or no private income. More aggressive means testing support for council tax protects the poorest households and focuses losses on the middle income households. Working lone parents are particularly likely to lose out in this situation.

Discounts that Watford BC could introduce as part of the local CT Scheme:-

Option 1 – Level of Savings.

In our experience of households that would presently receive CTB and therefore meet the criteria of the capital threshold of £16,000, most would have non-pension financial wealth under the proposed £8000 threshold and would therefore qualify for Local Tax Support under a means testing scheme.

Option 2 – Non Dependent Deductions

We have found through our work with clients that for those households affected by non dependent deductions, this can be profound. Often the non dependent is making no financial contribution and therefore leaves the claimant with reduced income and increased financial responsibility. It is frequently the case in this situation that the claimant who is presently claiming CTB has no idea what (if any) income the non dependent actually has and so frequently the claimant is assessed at the highest rate of non dependent deduction.

Option 3 – Capping Support to the level of a Band D Property

The advantage of this option is that it concentrates on families living in higher band properties and these families tend to be better off.

This is a less regressive option which would tend to target mostly non pensioner households and families with children more than families without children. The people to lose out from this reform would be those currently claiming CTB and living in properties in bands D and above.

Option 4 – Empty Properties Needing Structural Work

Option 5 – Empty and Unfurnished Properties

Option 6 – Second Homes

Option 7 – Empty Homes Premium

The grant from government to each local authority will be based on 90% of what would have been spent on CTB in that area. As pensioners and vulnerable groups will be protected, unless councils find additional money elsewhere they will either need to make larger percentage cuts to support for working age claimants or consider options that tend not to affect Council Tax Benefit claimants. Reforms that would protect the poorest claimants and would not reduce incentives to work would be considered better options by the Citizens Advice Bureau.

Summary

The effect of localisation of Council Tax Support will be to strengthen Local Authority incentives to promote employment and growth in the local economy but will also reduce incentives to encourage low cost housing and also give a disincentive to having low income families living in the area.

The other major issue that we are concerned about is the integration with Local Council Tax Support and Universal Credit. Universal Credit is intended to simplify the benefits system and is also intended to rationalise work incentives by replacing a jumble of means tested benefits with one simple benefit that will ensure that people are always better off in work. A separate means test of Local Council Tax Support could undermine these objectives. One of the key issues for any Local Tax Support scheme has to be the consideration as to whether Universal Credit will be treated as income in the means test. Administratively it would be simpler not to but would mean that for Local Council Tax Support to be withdrawn at the same time as Universal Credit this would also cut support severely for some for whom Universal Credit starts to be withdrawn at very low income levels.

A second issue with regard to the integration of the Local Tax Support and Universal Credit is that there will no longer be passporting from means tested benefits in the way that there is presently with Council Tax Benefit.

Having schemes that vary across the country will reduce transparency and increase bureaucracy. For Citizens Advice Bureau advisers having to deal with a variety of rebate schemes across the country this will create an extra burden.

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