

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