

**Committee: Cabinet****Date: 11 November 2019**

Wards: Selection of Wards

**Subject: Feasibility and Costs of a Council Tax Voluntary Scheme**

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Mark Allison

Contact officer: David Keppler

**Recommendations:**

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1. For Cabinet to decide not to progress with consultation with band H council tax residents to establish if a council tax voluntary scheme should be implemented.
  2. For Cabinet to agree that any benefits to introducing the scheme would not outweigh the likely financial losses of implementation, as concluded in 2.23.
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**1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. This report provides details regarding Westminster Council's voluntary community contribution scheme and highlights the information and issues Cabinet would need to consider if a similar scheme was to be consulted and implemented.

**2 DETAILS**

- 2.1. In March 2018 Westminster council launched its voluntary community contribution scheme – a way for residents in higher value properties who choose to, make a payment in addition to their council tax.
- 2.2. In order to assess the feasibility of the scheme a consultation exercise was undertaken in November and December 2017 with the 15,600 residents living in band H council tax properties. The consultation tested support for the scheme and invited views as to where any money raised should be spent.
- 2.3. Approximately 1,000 (6.4%) responses were received and there was a 50:50 split for and against the scheme. In March 2018 residents in band H properties were sent letters requesting voluntary payments and a second phase of letters sent in November 18.
- 2.4. The band H charge for Westminster residents in 2018/19 was £1421.00
- 2.5. As at January 2019 contributions were received from 540 individuals amounting £595,000 (including £75,000 gift aid element).
- 2.6. Of the 15,600 band H properties contributions were made from 540 which equates to 3.46%.

- 2.7. Excluding the gift aid element of £75,000, £520,000 was received from 540 individuals which equates to an average contribution of £962.96, less than the band H charge. The breakdown of contributions were as follows:
- % of contributions
- Up to £1,000 – 77%
- Between £1,000 and £1,600 – 19%
- Between £1,600 and £2,600 – 3%
- Over £2,600 – 1%
- 2.8. In Merton there are 1,751 band H properties as at 1 October 2019 at a charge of £3,096.66. Of these 49 properties are empty of which 14 have been empty for over two years and from April 2019 the owners are paying a 100% premium on the council tax charge, prior to April 2019 it was a 50% premium. See Appendix 1 for breakdown of band H properties by Ward.
- 2.9. If the same percentage results were applied to Merton based on 1,702 occupied band H properties we could receive 59 contributions (1,702 x 3.46%) and using the average contribution Westminster received this could equate to £56,817 (59 x £963). However, it is not possible to assume that a similar scheme in Merton would generate this amount, as the average total received by Westminster was £2384 (£1421 Band H contribution plus £963 contribution), and this is less than received from a Band H council taxpayer in Merton.
- 2.10. The band H charge for Merton residents in 2019/20 is £3,096.66 (£3,156.46 for those paying the Wimbledon and Putney Common Conservators levy). This is already more than double the Westminster band H charge.
- 2.11. Based on the % of contributions in Westminster (2.7 above) approximately 96% of residents contributed an overall figure of less than Merton's band H charge (£1,421.00 band H charge plus up to £1,600 voluntary contribution).
- 2.12. Out of Westminster's 540 residents that made a voluntary contribution only 21 (540 x 4%) paid more than Merton's band H charge, and three quarters contributed less than an additional £1,000. Using the same ratio, Merton would receive contributions from only 2 residents (59 x 4%). With an expected additional contribution of less than £1,000 from each of those contributors, the income in Merton would be considerably less than the cost of introducing or running a scheme if the same pattern of payments applies as in Westminster.
- 2.13. To make the scheme worthwhile considerably more Merton residents would need to be prepared to pay more overall in council tax and voluntary contribution than made by Westminster's residents.
- 2.14. Looking at Westminster's action plan for implementation the following would need to be considered/actioned:

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| <ul style="list-style-type: none"> <li>• Formal Cabinet decision to enable the project to proceed</li> </ul> |
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<ul style="list-style-type: none"> <li>• Implement a project team – including staff from Revenues and Benefits, Communications, Finance, IT, Policy</li> </ul>
<ul style="list-style-type: none"> <li>• Establish a implementation timeframe</li> </ul>
<ul style="list-style-type: none"> <li>• Research and implementation of the rules and regulations regarding Gift Aid</li> </ul>
<ul style="list-style-type: none"> <li>• Establish if a Charitable Trust needs to be set up – or if there is anything suitable already in place</li> </ul>
<ul style="list-style-type: none"> <li>• Identify how the contributions would be spent</li> </ul>
<ul style="list-style-type: none"> <li>• Identify a suitable payment method within existing bank account or if a new account is required.</li> </ul>
<ul style="list-style-type: none"> <li>• Establish a communication plan – to include the initial letter to residents and press releases</li> </ul>
<ul style="list-style-type: none"> <li>• Developing a database to record consultation responses, contact, payments and Gift Aid</li> </ul>
<ul style="list-style-type: none"> <li>• Developing and implementing payment methods for the contributions</li> </ul>
<ul style="list-style-type: none"> <li>• Handling of local and national press enquires and other communications</li> </ul>
<ul style="list-style-type: none"> <li>• Reconciliation of payments</li> </ul>
<ul style="list-style-type: none"> <li>• Production of thank you letters and following up with contributors</li> </ul>

- 2.15. Any voluntary scheme cannot be administered alongside the collection of council tax, council's cannot simply add a voluntary contribution figure to the council tax bill or ask residents to make an additional charge with their council tax. There is specific legislation for the administration and collection of council tax that adding a voluntary contribution to, would not be lawful. There would be complexities around allocation of monthly payments, recovering unpaid council tax, issuing possible refunds, apportioning bills when residents move or circumstances change.
- 2.16. Inviting voluntary contributions at the same time and along with new council tax bills would make sense but due to the billing arrangements at Merton this would be challenging. The main problem is that council tax bills are produced by payment method order. Firstly all bills for residents that pay by direct debit are produced and printed and then all bills for non direct debit payers. The bills are not produced in council tax band order.
- 2.17. In addition over 15% of new council tax bills are issued electronically rather than a paper bill and production and delivery of these is separate and again they are not produced in council tax band order.
- 2.18. If we wished to issue voluntary payment letter and payment details with the council tax bill was a key deliverable then testing would need to be undertaken to see if it was achievable.
- 2.19. An easier solution would be a separate mailshot to all band H properties.

- 2.20. If the scheme was progressed we would need to look at the most beneficial way of establishing the scheme and receiving payments. To take advantage of gift aid we would need to identify if a charitable trust would be required or alternative arrangements to maximise income and clearly target resources. An alternative option to a Charitable Trust is through the Merton Giving Scheme – see Appendix 2
- 2.21. We would need to identify a cost effective way of receiving payments along with reconciliation measures. This may be similar to how payments are currently received for the Mayors Charitable Trust.
- 2.22. A communication plan would need to be devised to commence with the consultation process and to include identifying projects to spend the income.
- 2.23. Based on the findings and comparisons from the Westminster's scheme, which includes the relatively low number of band H properties in Merton, the lower band H charge in Westminster and the value of the contributions made to Westminster, at this stage it is unlikely that a voluntary scheme implemented in Merton would generate the level of contributions that would make the scheme cost effective or worthwhile. This position can be reviewed if other London borough's, with a similar Band D to Merton, implement voluntary schemes in the future.

### **3 ALTERNATIVE OPTIONS**

- 3.1. None for the purpose of this report

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

- 4.1. If it is agreed to progress with the project an initial consultation would be undertaken with all residents in the 1,751 band H properties to establish how much agreement there would be if there was any desire to implement the scheme.

### **5 TIMETABLE**

- 5.1. Achieving an implementation date of April 2020 would be challenging but to achieve this initial consultation with residents would need to be completed by the end of December 19. An estimated timeframe is detailed below

<b>Action</b>	<b>Timeframe</b>
Cabinet decision to commence consultation	11 November 2019
Initial Consultation	1 December 2019 to 28 December 2019
Investigate banking arrangements	December 2019
Investigate trust	December 2019
Cabinet decision to commence scheme	13 January 2019
Testing of mailshot and method for communication payment requests	January 2020

Communicate decision with residents	January 2020
Set up bank account and trust if applicable	January 2020
Write to all band H properties with invites for contribution and payment method details	March 2020
Report to cabinet with results	May 2020
Decision on projects to invest	May 2020
Follow up letter to residents requesting payments	June 2020
Communicate scheme results	July 2020

## 6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. The estimated cost of implementation would be £10,150 as broken down below:

Action	Estimated Cost
Initial consultation	£1,750 plus staff time (2 days £400)
Communicating decision	£1,750 plus staff time (2 days £400)
Payment facility	Staff time (2 days £400)
Setting up Trust	Staff time (1 day £200)
Communications plan	Staff time (2 days £400)
Testing of mailshot and method for communication payment requests	Staff time (2 days £400)
Letters inviting contributions	£1,750 plus staff time (1 day £200)
Develop database for recording payments	Staff time (2 days £400)
Reconciliation of payments	Staff time (2 days £400)
Follow up letter requesting payments	£1,500 plus staff time (1 day £200)

The cost of each mail shot is based on £1.00 per property which covers, postage, envelopes and printing costs. We could look for some sponsorship for the envelopes which could reduce this cost.

## 7 LEGAL AND STATUTORY IMPLICATIONS

7.1. There is no legal implication for the voluntary scheme

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

8.1. None for the purpose of this report

**9 CRIME AND DISORDER IMPLICATIONS**

9.1. None for the purpose of this report

**10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

10.1. None for the purpose of this report

**11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

- Appendix 1 – Map showing breakdown by ward of band H properties
- Appendix 2 – Alternative Option to Charitable Trust

**12 BACKGROUND PAPERS**

12.1.