

**REPORT TO: POLICY AND RESOURCES COMMITTEE – 11 DECEMBER 2000**

**REPORT ON: AFFORDABILITY OF WATER AND SEWERAGE CHARGES  
ASSISTANCE SCHEME FOR LOWER INCOME HOUSEHOLDS**

**REPORT BY: DIRECTOR OF FINANCE**

**REPORT NO: 763-2000**

## **1 PURPOSE OF REPORT**

To provide a response to a Consultation paper issued by the Scottish Executive which proposes the introduction of a transitional scheme to limit the amount paid in water and sewerage charges for those in receipt of Council Tax Benefit.

## **2 RECOMMENDATION**

It is recommended that a copy of this report should be forwarded to the Scottish Executive as this Council's response to the Consultation Paper, and, in particular to:

- i) re-affirm the Council's call to broaden the scope of Council Tax benefit and examine the option of mutualisation and;
- ii) propose that the ceiling for the amount within the transitional scheme to be paid on water and sewerage charges be set at the lower end of the scale at £180 or below.

## **3 FINANCIAL IMPLICATIONS**

3.1 Based on a recent snapshot of the Council Tax system, it is estimated that the introduction of this scheme would reduce the water charges payable by Dundee City Council Taxpayers by over £1m in total.

3.2 There will be a cost to the Council of implementing and administering this scheme, however, it is anticipated that this will be recovered from the £24 million earmarked by the Scottish Executive to fund the scheme.

3.3 In terms of collection, the reduction in the level of charges payable by Council Taxpayers should, in theory, increase the collectability of the overall Council Tax levied.

## **4 LOCAL AGENDA 21 IMPLICATIONS**

None.

## **5 EQUAL OPPORTUNITIES IMPLICATIONS**

None.

## **6 BACKGROUND**

6.1 A pre-consultation exercise was carried out by the Scottish Executive in June/July 2000 and an overview of the responses are contained in the latest consultation paper. A number of options were discussed and discounted by the Scottish Executive for a variety of reasons and these are detailed within Consultation Paper.

- 6.2 Members will recall that the City Council at the Policy and Resources Committee of 11 September 2000 agreed a response to the Scottish Executive Consultation Paper on Managing Change in the Water Industry.
- 6.3 In that response the Council expressed concern in regard to the level of charges and suggested that the scope of Council Tax benefit should be broadened to include water and sewerage charges. Although it is recognised by the Council and within the Consultation Paper that the benefit system is a reserved matter it nevertheless remains the Council's position that some further allowance should be made within the Benefit system to address the position of individuals on benefit who fall outwith the terms of the Scottish Executive's proposals.
- 6.4 The Council would also wish to reiterate its position on the possible benefits of mutualisation as a way of allowing the industry to borrow capital for investment on the private market, outwith the constraints on public sector borrowing, while also giving powerful expression to the sense of ownership which the people of Scotland feel in respect of water.

## 7 SCOTTISH EXECUTIVE PROPOSALS

- 7.1 The Environment Minister has announced a £24 million scheme to help people on lower incomes living in higher banded properties accommodate increases in charges.
- 7.2 The new scheme will limit the amount paid in charges by those on Council Tax Benefit. Although the limit for 2001/02 will not be set until next year, the Minister has announced that is likely to be between £180 and £200.
- 7.3 The transitional scheme proposed by the Scottish Executive is targeted at households facing charges in excess of those to be paid by households in Band A properties in the ESWA and WSWA areas in the period 2001-04. Under the scheme a ceiling will be set on the amount to be paid in water and sewerage charges by those on Council Tax Benefit. The ceiling will be raised each year at a rate greater than the increase in water charges, so that it will be phased out by the year 2004-05.

## 8 POSSIBLE EFFECT ON WATER CHARGES SET BY NOSWA

- 8.1 The following table details the current 2000/01 NOSWA charges in Dundee by Council Tax band along with the percentage of dwellings and percentage of people on Council Tax Benefit in each band.

<u>Council Tax Band</u>	<u>2000/01 Water Charges</u>	<u>% of Dwellings in Each Band</u>	<u>% of People on Benefit in Each Band</u>
	<u>£</u>	<u>%</u>	<u>%</u>
A	200	47.5	48.9
B	233	22.6	22.4
C	266	9.5	9.3
D	300	10.0	9.6
E	366	7.2	6.8
F	433	2.1	2.0
G	499	1.0	1.0
H	599	0.1	-

- 8.2 Council Taxpayers in receipt of Council Tax Benefit are likely to receive a reduction based on the level of charges applicable for 2000/2001. During discussions with NOSWA last year it was indicated that charges were likely to increase on average by 12% in 2001/02.
- 8.3 A comparison of the water charges within the 3 Scottish Water Authorities along with the average percentage of dwellings in each band is detailed below.

<u>Council Tax Band</u>	<u>2000/01 Water Charges</u>			<u>Scotlandwide</u>
	<u>NOSWA</u>	<u>ESWA</u>	<u>WSWA</u>	<u>% of Dwellings in Each Band</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>%</u>
A	200	151	149	26
B	233	177	174	25
C	266	202	198	16
D	300	227	223	12
E	366	277	273	12
F	433	328	322	6
G	499	378	372	4
H	599	454	446	-

- 8.4 The following table shows the estimated benefit of the proposed scheme to Dundee Council Taxpayers.

<u>Council Tax Band</u>	<u>Estimated 2001/02 Water Charges (assuming 12% increase)</u>	<u>Benefit if Ceiling Set at £180</u>	<u>Benefit if Ceiling Set at £200</u>
	<u>£</u>	<u>£</u>	<u>£</u>
A	224	44	24
B	261	81	61
C	298	118	98
D	336	156	136
E	410	230	210
F	485	305	285
G	559	379	359
H	671	491	471

- 8.5 It can be seen from the above table that the proposed scheme is likely to provide a benefit to all Council Taxpayers regardless of whether the ceiling is set at £180 or £200. However, there would be a proportionately greater benefit to Council Taxpayers in the lower banded properties if the ceiling was set at £180 or below.
- 8.6 The table in paragraph 8.3 shows that the average percentage of people in Band A dwellings within Scotland as a whole is 26%, which is much lower than Dundee which has 47.5% of its dwellings in Band A. In light of this Dundee should be arguing for the ceiling to be fixed at the lower end of the scale.

## 9 IMPLICATIONS AND TIMESCALE

- 9.1 It is intended that the scheme will take effect from 1 April 2001 but it is possible that its operation will require to be backdated to allow sufficient time for administrative arrangements to be put in place.
- 9.2 The operation of the proposed scheme will require software development to a number of different Council Tax systems throughout Scotland and the paper confirms that these costs will require to be met from the £24m overall costs.
- 9.3 The implementation of the proposed scheme will possibly require the rebilling of all Council Taxpayers eligible for relief under the scheme in 2001/02. Councils will require to be reimbursed for any costs associated with this exercise in addition to ongoing administration costs. Again these costs are included within the overall £24m relief package.

## 10 BILLING AND COLLECTION OF WATER CHARGES

The current Statutory Instrument governing the arrangements for billing and collection of water charges and associated payment arrangements is due to expire on 31 March 2002. Although there has been some debate as to whether local authorities will continue to bill and collect water charges after this period, the introduction of the above scheme would almost certainly require them to continue until at least March 2004. It would, therefore, appear prudent to incorporate the necessary changes to the billing and collection arrangements with any new legislation associated with these current proposals for alleviating water and sewerage charges.

## 11 CONSULTATION

The Director of Support Services and the Chief Executive have been consulted on the content of this report.

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**DAVID K DORWARD**  
**DIRECTOR OF FINANCE**

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**DATE**

## BACKGROUND PAPERS

The following background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were used in preparing the above report.

### Scottish Executive Consultation Papers

Managing Change in the Water Industry  
 Affordability of Water and Sewerage Charges – November 2000

*MS/LAB/Reports/W&SChgesAScheme-LIH*