

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY AND FINANCE COMMITTEE

DECISION

Agenda Item No 8

meeting date: 25 SEPTEMBER 2012  
title: LOCALISATION OF COUNCIL TAX SUPPORT  
submitted by: DIRECTOR OF RESOURCES  
principal author: JANE PEARSON

## 1 PURPOSE

1.1 To inform members of the latest position with the localisation of council tax support (CTS).

1.2 Relevance to the Council's ambitions and priorities:

- The council have to decide upon a scheme of local support for council tax. In doing so consideration will need to be given to the amount of support for all groups of residents

## 2 BACKGROUND

2.1 At your last meeting on 7 August 2012 you considered the options for the Council to form the basis of a draft scheme for council tax support to consult on. You agreed to delegate to myself in consultation with the Budget Working Group the Draft Scheme for Local Council Tax Support and the scheme of public consultation.

2.2 The Budget Working Group at its meeting on 9 August 2012 agreed our draft scheme as a basis for public consultation.

## 3 OUR PROPOSED SCHEME

### Principle 1:

The income raised from the existing council tax on second homes should be used to subsidise the council tax support scheme thus contributing to those Ribble Valley residents who are vulnerable and/or in receipt of low incomes. **We propose to use approximately £120,000 to part fund the shortfall in funding.** We have suggested this would be our share of the second home council tax income and also that of the major precepting authorities.

### Principle 2:

All working age claimants should pay something. At present, claimants in receipt of income support, job seekers allowance (income based) and employment support allowance (income related) and other claimants not receiving these but with an income below the required level for their basic living needs, generally receive 100 per cent council tax benefit and therefore pay no council tax.

**We suggest that local support for council tax for all working age claimants is reduced by 12 per cent.**

### Principle 3:

The most vulnerable claimants should be protected. The proposed CTS scheme affords additional protection to vulnerable groups because of the way the default scheme is organised. This is in the main by using higher applicable amounts (basic living needs as determined by the Government) and part of their income may be disregarded (e.g. disability living allowance). We propose to leave these additional applicable amounts and income disregards unchanged.

## 4 CONSULTATION

- 4.1 We launched our consultation on the draft scheme on 1 September 2012. This will run until 31 October 2012. The new Council Tax Support Scheme must be approved by 31st January 2013 and be implemented by 1st April 2013 in time for the new Council Tax year.
- 4.2 We have utilised the services of the joint consultancy team CRACS whom we support with other Pennine Lancashire authorities. They have been extremely helpful and have assisted us in launching our [online questionnaire](#) which can also be found on our own website. They are also printing and distributing our hard copy questionnaire which will shortly be sent to all existing benefit customers and also to a cross section of council tax payers within the Ribble Valley. The team will also analyse all responses on our behalf.
- 4.3 Three documents have been produced along with the questionnaire to explain in more detail our draft scheme. These are:
- [Foreword by Leader of the Council](#) – **Annex 1**
  - [Our draft Scheme in detail](#) – **Annex 2**
  - [Why we are suggesting our draft scheme](#) – **Annex 3**
- 4.4 We also propose to hold a drop in information session in our Council Chamber on Wednesday 3 October 2012 regarding the changes to which all residents will be welcome to attend. Staff will be on hand to answer any questions regarding our proposals. Councillors will also be very welcome to attend.

## 5 ADDITIONAL SOFTWARE COSTS

- 5.1 We have been informed by our software supplier – Northgate Public Services, that a new calculation module for Council Tax Reduction will be required for our revenues and benefits software system. This was estimated to cost between £50,000 and £70,000 per customer. Northgate have now confirmed in writing the final costs – **Annex 4**. This will be £65,000 per customer, with a £2,500 discount for those issuing a purchase order before 31 October 2012.
- 5.2 This is a significant cost however one which is necessary to enable us to administer council tax support. We received a grant of £84,000 from the Government to meet additional costs arising from the localisation of council tax support earlier this year. This cost would clearly fall under this remit and therefore if approved the purchase would be funded from this grant.

## 6 RECOMMENDED THAT

- 6.1 Committee endorse the approach taken to our consultation on the localisation of council tax support.
- 6.2 Approve the purchase of the new Northgate council tax reduction module for our revenues and benefits software system.

## DIRECTOR OF RESOURCES

PF58-12/JP/AC  
17 September 2012

## BACKGROUND PAPERS

## LETTER FROM LEADER OF THE COUNCIL REGARDING CHANGES TO COUNCIL TAX SUPPORT



BOROUGH COUNCIL

Dear Resident,

In Ribble Valley, there are currently around 2,700 households who rely on Council Tax Benefit to help them pay their Council Tax because they are on a low income. Council Tax Benefit is a national scheme, which has, until now, been fully funded by the Department of Work and Pensions at no cost to the Council, but from 1st April 2013, this will change.

From April, the Government has decided that it wants all Councils to develop their own local support schemes to replace Council Tax Benefit. The difficulty is that they want us to do this with significantly less money. This means that as a Council we have to try to design a fair and accessible alternative Council Tax Benefit scheme with **approximately £228,000 less grant** per year. This is equivalent to a cut in funding of around 10%.

However, under the new localised schemes, the Government have decided that pensioners who make up around 60% of our current claimants will remain protected from any changes. This means that they will receive the same amount of help as now. Whilst we fully support this decision, it means that the **remaining 40% of claimants of working age will need to pay more** (half of whom currently pay nothing). Put simply, if we decide to pass on the £228,000 cut in full to them alone, this would result in reductions in their existing Council Tax benefit entitlement in the region of 25%. This means that a working age claimant living in a Band A property would have to find £247 more per year.

This is a very serious issue for a Council representing the interests of all its communities in what are very tough economic times. As a result, we have had some difficult decisions to make to devise a new system suitable for consultation that achieves the savings required. At the same time, we must consider the significantly reduced funding for Local Government and attempt to minimise the impact on those most in need in our communities.

The new Council Tax Support Scheme we are proposing to introduce is explained in this document and we want to know what you think about our plans. In summary, we have attempted to spread the burden of this cut by **utilising council tax income we collect from second homes**. We propose to use this money to alleviate the burden on the most vulnerable in the Ribble Valley. This will meet half of the savings required. Regrettably, in order to meet the remaining shortfall we have been left with no alternative but to propose that all low income working age claimants currently on Council Tax Benefit **will have their support reduced by 12%** to fund the services they receive. It will mean that the burden is shared equally as explained later in this document. We wish we did not have to do this but faced with these challenging financial times for the Council, we have very few options.

## LETTER FROM LEADER OF THE COUNCIL REGARDING CHANGES TO COUNCIL TAX SUPPORT

This is where I need your help. We have not made a decision on the final scheme that will be adopted. As such, we are planning to consult widely about these changes between 1 September 2012 and 31 October 2012 to help shape the final local Council Tax Support scheme that we must approve by January 2013 at the very latest. You can find out more about what we are proposing and how it may affect you in the documents.

Whatever changes we are forced to introduce, I want to assure you that as a Council we remain committed to helping you in these difficult times by seeking to help you improve your skills, help you get back into work and help you make your money go further.

If you have any questions or concerns, please contact us at [ctax@ribblevalley.gov.uk](mailto:ctax@ribblevalley.gov.uk) or by telephone 01200 425111.



Cllr Michael Ranson  
Leader, Ribble Valley Borough Council



## Adopting a Local Council Tax Support Scheme in the Ribble Valley

This scheme, referred to as council tax support (CTS), is set out as a number of proposals that are dependent on:

1. The outcome of the consultation on this scheme;
2. The passing of the Local Government Finance Bill and subsequent secondary legislation;
3. The bringing into force of the Welfare Reform Act 2012 and any secondary legislation.

## Adoption of a Scheme

The Government's Statement of Intent set out that "It will be up to the billing authority to adopt a scheme formally through their internal decision-making processes".

The proposed amendment to section 67 of the Local Government Finance Act 1992 in Part 2 of Schedule 4 to the Local Government Finance Bill has the effect that the function of making/revising a council tax reduction scheme has to be carried out by the authority as a whole.

A Full Council decision to adopt a local scheme needs to be made by 31st January. The Council proposes to agree a scheme on 18 December 2012.

## Draft Regulations - Default Scheme & Prescribed Requirements

The Government has issued two key sets of draft regulations, the Default Scheme and the Prescribed Requirements scheme, which were published on 16th July 2012 and can be accessed via:

(<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/counciltax/counciltaxsupport/>)

The Government has issued the Default Scheme regulations to provide a legal backstop in the event that any authority has not put a scheme in place by 31 January 2013.

The draft regulations set out how the default scheme will provide for reductions for Universal Credit claimants. As the Council is not proposing to make any amendment to the existing regulations it is the Council's intention to apply these rules to the scheme to be adopted. At the end of the entitlement calculation, an "as yet to be agreed" deduction will be made. On conclusion of the consultation process these changes will formally be approved, adopted and a scheme published and notified.

The Prescribed Requirements regulations set out requirements for local schemes. These relate to people of pension-credit age (Schedules 1-6); and make people who are treated as not being

## OUR DRAFT SCHEME IN DETAIL

resident in Great Britain ineligible for support; they also provide for a number of straightforward administrative elements (Schedules 7-8). These are still being developed by Government and again will be adopted in their current or modified form at the end of the consultation period.

### Proposed Ribble Valley Borough Council Tax Support Scheme

Clearly the local scheme cannot be introduced without working age benefit customers paying more Council Tax than they currently do (as we have to protect benefit payments to pensioners). As a result, the Council's proposed scheme is as follows;

#### Key changes from Council Tax Benefit

##### **Pension age customers (i.e. a person who has attained the qualifying age for State Pension Credit)**

- Will move to the new national scheme and will receive the same level of support as they currently do

##### **Working age customers**

- The scheme will be based on existing rules of Council Tax Benefit but the final award will be reduced by 12%.
- Customers receiving Council Tax Benefit on 31 March 2013 will be transferred onto the new scheme from 1 April 2013 without the need for a new application and will be assessed in line with the new scheme.
- An application will be required for all new claims from the 1st April 2013. An appropriate means of application will be decided by the Council and may be revised as required.
- If a customer disagrees with a decision about their Council Tax Support, the Council again will reconsider any initial request for the decision to be looked at. If the customer still disagrees with this outcome, they may then appeal to an independent tribunal.

Government is clear that there will be a single appeals process for unresolved disputes on claims for council tax support, by a body that is independent of the local authority. It is likely that it will be the responsibility of the Valuation Tribunal and the Ministry of Justice to enable members of the First-tier Tribunal to sit as members of the Valuation Tribunal for England when requested to do so by the President of the Valuation Tribunal for England, so that their expertise can be used when deciding appeals on decisions made in relation to council tax reduction schemes.

- For new and existing awards the Council may implement a review process. Awards may be reviewed in a time period to be determined by the authority and failure of the claimant to fulfil any request during a review of their award may result in the termination of that award.

## OUR DRAFT SCHEME IN DETAIL

- Any figures set out in the scheme may be updated, to take effect on 1st April each year following the commencement of the scheme, by the consumer price index, retail price index rate of inflation set out in the preceding September, or by another rate determined with reference to provisions made for housing benefit and universal credit or as decided by the authority.
- Apart from where legally required, advice of any award granted, removed or revised will be by an adjustment to the council tax bill and the bill itself will be the formal notification. The Council may reserve the right to include additional notifications.
- Consideration will be given as to how further notifications of an award or non-award of council tax support will be made under the new scheme.
- Any overpayment will be rectified by the amount being clawed back by an adjustment to the council tax bill.
- The Council will take proactive action to prevent, detect and act appropriately where fraudulent activity is undertaken to claim Council Tax Support incorrectly or payments are not paid in accordance with the Statutory Instalment Scheme adopted.

These rules and expectations will be considered once again at the end of the consultation period and prior to adoption of any scheme to reflect any comments or suggestions received.



## Introduction

The Government has announced that Council Tax Benefit will be replaced by Local Schemes of Council Tax Support from April 2013. In future the Government will meet only 90% of the cost of Council Tax Support and they have stated that pensioners must be protected from any changes.

## Reduction in Funding

The reduction in funding will be shared out amongst all the authorities that make up the overall council tax charge in Ribble Valley. The approximate savings that each local authority needs to make is shown in the table below:

	Share of Council Tax %	Savings required
Lancashire County Council	75	171,000
Lancashire Police Authority	10	22,800
Lancashire Fire Authority	4	9,120
Ribble Valley (incl parishes)	11	25,080
<b>Total</b>	<b>100</b>	<b>228,000</b>

The Government have said that it is up to local authorities to design their own local Council Tax Support scheme. This means that Councils must decide how to meet this shortfall, ie whether to pass on the cut in benefits to claimants or fund this from other sources.

For example if we wanted our new Council Tax Support Scheme to be the same as the current Council Tax Benefit Scheme then each of the authorities shown in the table above would have to find the amounts given by some other method. This could be either increasing the Council Tax, reductions in services, increasing income from users of Council services, use of new powers to reduce Council Tax discounts on certain properties or a combination of any of these.



## Consultation

We must consult with our residents and interested groups to find out their views about our draft proposals before deciding our final scheme.

## Our Proposals

Because pensioners must be protected and in Ribble Valley almost 60% of our claimants are pensioners, if the Council were to pass on the cut in full, this would roughly mean our remaining benefit claimants would see a reduction in their Council Tax Support of around 25%. We feel this is too high and therefore do not propose to pass on the full cut to our claimants.

Instead we propose to pass on roughly half of the cut to our working age claimants and meet the rest of the shortfall by using council tax income we currently raise from second homes in the Ribble Valley. Presently this income is given to the Ribble Valley Strategic Partnership to spend in our area in line with local priorities; however this arrangement comes to an end on 31 March 2013.

We propose that Ribble Valley's scheme will have the following principles:

1. The new Council Tax Support scheme will be calculated in the same way as Council Tax Benefit

We propose to use the same calculation method which takes into account the particular needs of some households, eg disabled, carers, and families with children. Those claimants and their families with particular needs can have higher levels of weekly income and still be entitled to Council Tax Benefit. This would continue under the proposed Council Tax Support Scheme.

2. Half of the cut in funding Council Tax Support will be met from council tax income on second homes
3. The final benefit award will be reduced by 12% for all claimants of working age

'Working age' means those claimants who are between school leaving age and state pension credit age.

This means for example that a couple living in a Band A property on full benefit, ie those who currently have no Council Tax to pay, would start to pay around £2 per week Council Tax.

## How might you be affected by the proposals?



### **Case 1 Couple of Pensioner Age**

William and Sarah are a couple both in their 70's who live in a Band B property. They currently claim Council Tax Benefit and have been awarded £20.85 per week based on means testing their income from state pensions, William's works pension and Sarah's savings. Their Council Tax charge is £29.85 per week so they so they have £9.00 per week to pay.

#### ***What the proposals mean for William and Sarah***

When Local Support for Council Tax is introduced they will now receive a bill, which will say they get a discount rather than benefit but the amount they have to pay will not change i.e. £9.00 per week.



### **Case 2 Single Pensioner**

Janet is 67 and she has recently moved to live in a sheltered housing flat that is in Band A. She finished work a few years ago but was always in low paid jobs so was not able to save for her retirement. She receives Pension Credit Guaranteed Credit and therefore she currently does not have any Council Tax to pay.

#### ***What the proposals mean for Janet***

Under the new system she will still have nothing to pay but her bill will show the reduction as a discount rather than benefit.



### **Case 3 Couple of working age in low paid work**

David and Victoria live with their 3 children in a band D property. Victoria stays at home as two of the children have not started school yet and David works for a local firm on the minimum wage, which is topped up with tax credits and child benefit. Their Council Tax is £28.49 per week and they currently get £13.49 in benefit, reducing the amount that they have to pay to £15.00 per week.

#### ***What the proposals mean for David and Victoria***

They will automatically be assessed for local support for Council Tax and may have to pay more in future. If we decide to reduce their support by 12% they will pay an extra £1.62 per week for their Council Tax.

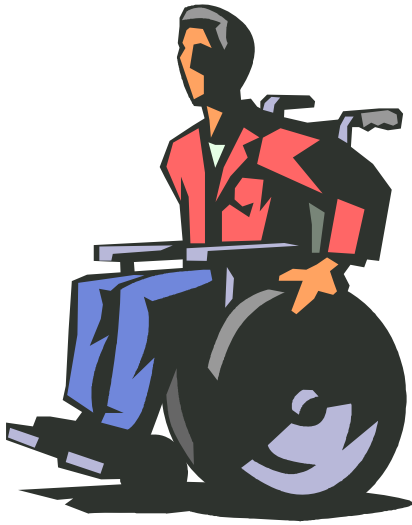


### **Case 4 Single parent of working age not in work**

Patricia lives in a Band A property with her two children and receives Income Support. Her Council Tax is £14.25 per week and she currently gets full Council Tax Benefit.

#### ***What the proposals mean for Patricia***

She will be automatically assessed for local support for Council Tax and may have to pay a contribution in future. As per the Council's proposals her entitlement would reduce by 12% which would mean she would have to pay £1.71 towards her Council Tax



### **Case 5 Single disabled customer**

Mark lives alone in a band A property and currently gets Employment Support Allowance and Disability Living Allowance from the Department of Work and Pensions. His weekly Council Tax charge is £14.25 but he receives Council Tax Benefit of £12.15 per week reducing the amount he has to pay to £2.10 each week.

### ***What the proposals mean for Mark***

He will be automatically assessed for local support for Council Tax and will have to pay an extra £1.46 per week towards his Council Tax

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17/09/12

Dear Mark

### Council Tax Reduction (CTR)

In Information Bulletin 978, we indicated an estimated figure of between £50,000 and £75,000 per Customer would be needed to cover development and delivery of CTR over the next 2 years.

The past few months have provided further clarity on which to base our estimates. There still remains the prospect of additional work and rework as the legislators move towards final regulations.

As previously advised we are, in agreement with the User Group, developing a completely new calculation module for Council Tax Reduction. We investigated the option of upgrading the current Housing Benefits (HB) & Council Tax Benefits (CTB) calculation routines and determined that a new module would be appropriate as both HB and CTB are expected to decline over the next few years. A new module allows for a robust foundation for CTR as we move forward and new requirements evolve. It also means that in the early stages of the CTR implementation the risk of de-stabilising HB and CTB is minimised. Although the calculation is separate to HB and CTB, this will be completely seamless to end-users, for example calling a claim calculation will only be required once – there will be no requirement for double-keying of data. The new modules have been designed to be sufficiently flexible for the differing requirements of England, Scotland, and Wales.

Following discussion and agreement with the User Group Executive, Northgate will charge a licence of £65,000 (plus vat) per customer for CTR. The same rate will apply in England, Scotland & Wales for all Customers who currently use our Northgate CTB module. It is Northgate's intention to adopt the same pricing policy for England, Scotland & Wales.

The Northgate budget for the work already completed and expected to continue into 2013/14 is 10,500 days work. This includes:

- Customer and government(s) engagement
- Analysis, development, and testing
- Delivery, enhanced support, documentation, and webex training sessions

The CTR module payment can be further broken down as follows:

- 2012 - £40,000
- 2013 - £25,000

This proposal is based on a flat rate per customer which reflects the preferred method used by central government on recent projects funded under the basis of new burdens.

We are pleased to advise you that the licence will attract no additional Support & Maintenance charge. Support and Maintenance for CTR will be subsumed within existing Benefits support arrangements; as the CTR caseload increases and schemes in use increase, CTB usage will decline (albeit aspects of the scheme may be retained for pensioner protection etc. in England for example). Individual support and maintenance payments for CTB will be unaffected by the introduction of CTR and the eventual demise of CTB.

We are asking all CTB customers to sign up for CTR in line with the first software deliverable in the 6.6.1 release in October (scheduled 19<sup>th</sup> October). Release 6.6.1 functionality will include the facilities to calculate CTR based on your chosen scheme(s). We will be asking Customers to make a payment of £20,000 no later than 31<sup>st</sup> October 2012 to cover the first tranche of development. However to ensure timely delivery of licence keys for the 6.6.1 software being issued on October 19<sup>th</sup>, we request you make the payment as early as possible.

Payment of the remaining licences will be requested in line with the delivery plan outlined in Information Bulletin 960:

- 6.7 (Dec 2012) - £10,000
- 6.7.1 (Mar 2013) - £10,000
- 6.8 (July 2013) - £12,500
- 6.8.1 (October 2013) - £12,500

The User Group Executive requested the payment profile be reflective of the work to date and the anticipated schedule of work over the next 2 years, our expectation is that 60% of the work will be completed this year, so we have therefore placed £25,000 of the overall charge in the 2013/14 year.

The User Group Executive further asked Northgate to consider a discount in the £65,000 charge should an authority wish to pay the full amount in advance. We have agreed to this request and can confirm a reduction of £2,500 (i.e. new charge of £62,500) will apply for any authority making the full payment by 31<sup>st</sup> October 2012. This reduction represents a 7.5% annualised discount.

Please find attached a Quote Form, should you wish to receive the licences for CTR, please send a Purchase Order by 31<sup>st</sup> October 2012 to [enquiries@northgate-is.com](mailto:enquiries@northgate-is.com) to cover the £65,000 licence fees plus vat, which will be invoiced in accordance with the above profile.

However, if you wish to pay the amount upfront, in one lump sum to take advantage of the discount of £2,500, please advise on your Purchase Order that this is the case and make your Purchase Order out for £62,500 plus vat and send to [enquiries@northgate-is.com](mailto:enquiries@northgate-is.com) by 31<sup>st</sup> October 2012, in which case an invoice for the full amount of £62,500 will be sent.

Yours sincerely,

**Nigel Blair**

Head of Product Management & Innovation

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