

# BT Lancashire Services

## Revenue & Benefits Service Update - May 2016

18th May 2016

### PURPOSE

The purpose of this briefing note is to provide an overview of both the National and Local Developments which are directly impacting the Revenue & Benefits (R&B) Service and as such the Council and residents of the Borough, and to highlight the potential impact of these developments.

### NATIONAL DEVELOPMENTS

There are some significant changes ahead within the R&B Service in the next 12-24 months which will not only impact on those receiving services but could have significant implications on the delivery of the R&B Service and indeed the Councils Medium Term Financial Planning. Key developments will affect; Business Rates, Benefits, the Council Tax Support Scheme and Universal Credit, further details of the changes are summarised below;-

#### **Business Rates (NNDR) & Revaluation**

There are many changes underway nationally surrounding the calculation, generation, valuation, billing and collection of Business Rates. Some of the key areas are summarised below;-

- a) *Revaluation:* The Valuation Office (VOA) is in the process of updating the rateable values of all business properties and as such Business Rates will be calculated using the new rateable values from 1st April 2017. The last general revaluation was effective as from 1 April 2010 and so a considerable shift in valuations is anticipated. As a result of this it is likely that a "transitional relief (TR)" scheme may be introduced if this happens.

In October 2016 draft rateable values will become available online and local businesses will be required to check the details the VOA hold about their property are correct. Failure to do so may result in them paying an incorrect amount in business rates.

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Government have recently completed consultation on the appeals process and will also soon be consulting on changing the revaluation period from 5 years to 3 years.

- *Small Business Rate Relief (SBRR):* In the Spring Budget the Chancellor announced proposals which we are awaiting to be passed, that from April 2017 small businesses that occupy properties with a rateable value of £12k or less will not be required to pay business rates, this level of exemption is currently only provided to businesses with a value of £6k or less. There will also be a tapered rate of relief on properties worth from £12k up to £15k which again will provide further relief for small to medium sized businesses.
- *Devolution Revolution & Pooling:* Historically, money collected by business rates was pooled nationally, and redistributed as grants to Councils. However in recent years the Government have changed this system so that the Council retains some of its business rates income. A consultation surrounding business rates is due to be completed in Summer 2016, which could mean that by 2020 Councils will be able to retain more of the business rates raised in their area and will be given increased powers to vary rates in order to boost growth. However at the same time it is expected that grant funding to Councils will be reduced and that they maybe asked to take on additional burdens.

Lancashire Authorities have already agreed to a local rates pool which has recently come into effect in April 2016. This allows those Authorities in the pool who currently pay a levy to the government to retain up to 90% of rates collected over the baseline figure, and thus keep more revenue locally to support the Councils Budget.

- *Billing & Collection:* From 2022 it is planned that there will be links between the Council systems and HMRC digital tax accounts in order that businesses can manage their accounts in one place. The intention is to introduce national standardised bills and have an online bills and payments system in operation by April 2017. Further details are awaited.
- *Annual Indexation:* From April 2020 taxes for all businesses paying rates will be reduced, by switching the annual indexation rate from RPI to CPI, this represents a small reduction each year from 2020.

**Impact:** The changes surrounding Business Rates will impact upon all Businesses across the Borough, the R&B Service and the Council's finances.

Small to medium sized business will benefit from the SBRR and tapering relief changes which come into effect April 2017. The estimated impact of this change on businesses within West Lancashire using values as at 30/3/2016 are;-

- Approximately 2,100 properties will benefit from SBRR as from 1<sup>st</sup> April 2017, this is in comparison to 765 which currently receive SBRR under the £6k limit
- Approximately 150 properties will benefit from the new tapered relief scheme as from 1<sup>st</sup> April 2017, this is in comparison to 382 properties currently

All other businesses across the Borough will be affected by the revaluation, and in undertaking any form of revaluation there are likely to be winners and losers. A transitional relief scheme if introduced will mitigate the impact of any significant variations.

**The Council** will be impacted by the changes as they are potentially allowed to keep more of the local Business Rates collected and will receive some increased powers, but may also be asked to take on additional burdens akin to the Council Tax Support Scheme implemented in April 2013. There are advantages to this approach as Councils will have greater powers in trying to raise and maximise Business Rates through promoting growth in their area, but there will also be significant risks attached to the fact that they may receive less grant funding and may have to pick up additional burdens.

Whilst the preparation for the revaluation will be led by the VOA, the R&B Service will need to liaise closely with them and local rate payers to ensure resultant Rating Lists are accurate and up to date. The Service will also endeavour to fully support the council in preparing for the full NNDR Retention from 2020 by maximising rating liability using local intelligence and actively communicating with local business community.

### **National Housing Benefit Scheme (HBS)**

Many different measures were announced in the July 2015 Budget and Autumn Spending Review which may have an impact on the residents of the Borough receiving or wanting to apply for Housing Benefit in 2016 and 2017. Some of the key changes are listed below:-

The following benefit changes have very recently been implemented in 2016:

- Four year benefits freeze for working age people - as from 1 April 2016
- Lowering benefit cap from for couples £26k to £20k and £13.4k for adults with no children – to be introduced on a regional basis during Autumn/Winter 2016/17
- Housing Benefit backdating to be reduced from 26 to 4 weeks – as from 1<sup>st</sup> April 2016
- Family premium removed from Housing Benefit – as from 1<sup>st</sup> May 2016 (for new claimants)

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- From Summer 2016 payments of Housing Benefit and Pension Credit to claimants who travel outside of Great Britain for longer than four consecutive weeks will end
- As from the 6th April 2016 new Pension Credit customers will have to report all changes of circumstances as they happen and their awards will be revised at the point of change. All Pension Credit cases will be reviewed periodically other than people with an existing assessed income periods.

The following further changes will be made after 2017:

- Limit child tax credits and Housing Benefit to account for a maximum of 2 children (born after 2017)
- Remove entitlement to housing support costs (Housing Benefit equivalent) for 18-21 year olds.
- Housing Benefit or housing costs paid to tenants in the social rented sector will be capped to LHA (Local Housing Allowance) rate. (Whilst this applies from 1/4/18 it will impact on tenants who have accepted a tenancy from 1/4/16).

Whilst the above measures alone are likely to reduce claimant income other measures which have been introduced by Government such as the rise in the National Minimum and Living Wage and the increase in Personal Tax Allowance are likely to increase the income of some individuals and families.

***Impact on Social Tenants*** - whilst there will be some exemptions to the general changes highlighted above, the majority of new tenants from 1/4/16 who are 35 and below and pensioners could be affected.

The LHA rate is based on a single room allowance for those 35 years old and younger or for those above for the size of accommodation required. The single room allowance will be insufficient to cover all the full rental cost of a 1 or 2 bed roomed flat. Also the LHA is unlikely to cover the cost of sheltered housing rents which may have to reflect the cost of providing the support service needed by this client group.

The Government has recognised that there are some issues around the provision of supported housing for the elderly e.g. sheltered housing and has agreed to allow rents to increase using the formula of CPI + 1%. Further, it has been agreed for Landlords to charge up to a 10% increase in rents for new supported tenants and has agreed to review the rent provision over the next 12 months. It is anticipated that the Supporting People Grant the Council receive will be fully removed from 2017.

In order to gauge the effect of these changes, the impact will be closely monitored by officers within the Housing Service and a review undertaken on the options open to the

Council to ensure that residents can afford to pay rents for accommodation and that the Housing Revenue Account (HRA) can provide the necessary management and maintenance that is appropriate for its tenants.

***Impact on other providers of social and supported housing*** - The information mentioned above will also apply to other social housing providers operating in West Lancashire including supported housing providers such as West Lancashire Women's Refuge and the Birchwood Centre. They will each be considering the impact of welfare reform upon their ability to continue to operate their existing services. In the case of supported housing providers, there will also be further concern and financial pressures due to the anticipated removal of the Supporting People Grant from 2017.

The risk to the Council surrounds the number of properties that it is able to rent to single people and if the change in welfare entitlement means that less people will wish to exercise the opportunity of being housed by the Council, there will be a financial impact to the Housing Revenue Account (HRA). As a consequence of monitoring the position, a small working group has been established which will look at a range of options to minimise the impact to local residents and to attempt to maximise the income that the Council can receive to support its housing business. A further report will be provided to members once the monitoring has been undertaken so that Members are aware of any financial consequences to the Council.

***Further Impact on residents (other than housing):*** The impact of the non-housing related changes on residents in West Lancashire cannot currently be fully quantified, however it is highly likely that some will experience a net reduction on their income levels. For example although we await final figures from the DWP, we are aware that somewhere between 0-199 claimants across the Borough will be impacted by the reduction in the benefit cap later this year.

The funding the Council receives for Discretionary Housing Payments has increased in 2016/17 from £163k to £184k. Officers within the council and BTLS will continue to work closely together to ensure that the allocation of this funding to assist those in greatest need of 'temporary support' to enable them to pay their housing costs is maximised to its full extent.

The R&B Service will also work closely with the DWP and Housing Colleagues to ensure we collectively best advise those affected by the changes and provide appropriate guidance and signposting to support those residents most vulnerable.

### **Council Tax Support Scheme (CTSS) – Consultation**

As you will be aware the CTSS came into effect in April 2013 as a replacement for Council Tax Benefit. The change was from a national benefit to a localised discount

scheme and was introduced with the intention of making savings for Central Government, supporting the localisation agenda and work incentives.

All billing authorities responsible for collecting CT are under a statutory duty to design and agree a CTSS and any changes to that scheme require consultation with stakeholders including residents.

Almost all councils across England designed and implemented a CTSS in April 2013 aligned to their National HBS. As outlined in the above section recent changes have been made to the HB scheme and further changes are planned for 2017, therefore all Councils who have a CTSS aligned to the HBS will be required to consult on whether to make the appropriate changes to keep the two schemes aligned moving forward.

**Impact:** The R&B Service will support the Council to take part in a Pan Lancashire Consultation Process, which will be supported by David Airey and Infusion Research. The consultation is due to be launched in June 2016 and will run for a period of 12 weeks. It is likely to be a web based plus postal consultation exercise and stakeholders will be requested to provide feedback to a range of consultation questions and the resulting data analysis along with an evaluation report will be provided in October 2016 to Council.

We currently have approximately 9,000 claimants in receipt of CTS and the potential impact on these residents if all of the proposed changes were accepted and implemented may result in a reduction of CTS paid out. It is estimated that the financial impact of implementing these changes from April 2017 would be that the Council would pay approximately £23k less CTS in 2017/18 than if the changes were not implemented.

### **Universal Credit (UC)**

As you are aware the implementation of UC will roll six benefits into one and HB which is currently administered locally by the R&B Service will be one of the 6 benefits that will be replaced and be administered centrally by the DWP, for working age claimants.

The roll out of UC is a two stage process for each Local Authority. The first stage introduces digital UC for all new claimants with the second, being a migration of existing HB cases. The latest information currently available on timescales is outlined below;-

- *Full National Digital Service Roll Out* – The transition to Full Roll Out will commence in May 2016 on a relatively small scale with phases 1 and 2 to run through to December 2016 rolling out to 5 JCPs per month. It has been confirmed that West Lancashire will not be part of this initial phase.

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The transition to Full Service will expand from February 2017 to include a greater number of LAs, rolling out to 50 JCPs per month. Details of those sites transitioning in 2017 will be release by end of July 2016 and those sites transitioning in 2018 will be released by the end of September 2016.

- *Conversion of stock of existing claims to Housing Benefit to Universal Credit -* With the transition phase complete the migration of people on legacy benefits over to UC will commence in the middle of 2018 with a projected finish date of early 2021. Further details on timescales for this work programme are also expected to be published in due course and work to deliver the conversion will require the DWP, Local Authorities, Housing Associations, HMRC and Citizens Advice to work together in partnership.

There are no plans to move pensionable age claimants away from Housing Benefit (HB) until after UC is rolled out fully. This in effect means that the assessment of HB for pensioners will remain the responsibility of local authorities until 2020.

**Impact:** The roll out and implementation of UC will impact upon the residents of the Borough and the R&B and Housing Services.

Although information may be collected locally residents will have to make claims electronically and they will subsequently be administered at regional processing centres reducing the local level of support available.

The implementation of UC will impact directly on staff within the R&B Service who currently administer benefits for working age claimants. Correspondence received from the DWP confirms that there would be no 'relevant transfer' of staff working on HB today to UC. Although the DWP would expect Councils to take steps to see that staff affected are redeployed, they are mindful of other financial pressures LA`s face and have therefore confirmed that where it is not possible to redeploy affected staff they will meet the full costs of compulsory redundancies. It is important to note that whilst this decision will impact directly on staff within the service the Council does have a strong track record in managing change without requiring compulsory redundancies.

The introduction of UC will also impact on Councils Housing Service, in so much as the risks of not receiving payment for housing rent will increase as UC claimants receive one monthly payment of support directly, from which they will be required to make all relevant payments including payment for their rent allowance. A snapshot taken in November 2015 showed that 37% of UC claims included a housing element and of this figure 19% were already in receipt of additional support and were on alternative payment arrangements (APPA).

### LOCAL DEVELOPMENTS

In addition to the range of National Developments impacting upon the service outlined above there are also two key local recent changes which will impact upon the R&B Services these are summarised below;-

#### **Closure of Magistrates Court**

Ormskirk Magistrates Court will close in June 2016. Whilst pre booked CT & NNDR courts have been secured until that date, it remains uncertain where and how many future court hearings will be made available. We are awaiting further information on designated alternative court locations but it is likely to be either Preston or Wigan Magistrates Court.

**Impact:** This will impact both on residents and the Council / BTLS. Affected residents will have to travel further and as such this will impact upon their time and costs incurred. Similarly it will present challenges for BTLS resourcing court hearings and impact upon staff time and cost, but primarily it could potentially impact on our ability to escalate CT & NNDR non-payers to the more serious collection methods such as bailiffs where necessary. This could impact on our ability to meet SLA targets.

#### **Increase in Council Tax (CT)**

WLBC gross CT charge has increased by 1.75% in 2016/17. Lancashire County Council, Lancashire Fire and Rescue and Lancashire Police Authority have also increased their respective CT charges by 3.99%, 0.99% and 1.99%. This has resulted in an overall gross increase in CT at a Council Tax Band D equivalent of 3.39% for 2016/17, compared to 2015/16.

**Impact:** As the increase affects all CT residents the increase will impact approximately 49,000 properties residents across the Borough. In cash terms this will result in an additional £2.4m net collectable income.

In the current economic climate this may present additional challenges in terms of customers meet their CT liabilities and as such BTLS recovering CT debt.



### **CURRENT SERVICE PERFORMANCE**

It is evident from the above that we are anticipating a significant array of developments and change to impact the Revenues & Benefits and arena over the coming months and years and that these may present challenges to the finances of residents and businesses of the Borough, the Council's Budget and the ability of the Service to deliver its SLA Targets.

However it is worth noting that the service is performing really well with the year-end outturn performance against contractual targets for 2015/16 being the strongest performance delivered since the contract commenced. From the information available on Council Tax and NNDR recovery rates we are also performing very well in comparison to other District and Unitary authorities across Lancashire.