

# BT Lancashire Services

## Revenue & Benefits Service Update

### 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 Service (RBS) over the next 12-24 months 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 RBS which will not only impact on those receiving services but could have significant implications on the delivery of the Service and indeed the Council's Medium Term Financial Planning. Key developments will affect; Business Rates, the Council Tax Support Scheme, Benefits and Universal Credit, further details of the changes are summarised below:-

#### **Business Rates (NNDR)**

There are many changes underway nationally surrounding Business Rates the most significant being that in October 2015, the Government announced that by 2020 local authorities will be able to keep 100 per cent of the business rates they raise locally. This is a fundamental change in the way local government is financed and something which will affect the Council significantly in the longer term. However against the back drop of this there are several other changes which will impact this area in the short to medium term and these can be grouped into the following three areas;-

- a) **2017 Revaluation and Transitional Relief**
- b) **Update on 2016 Budget Measures and the Autumn Statement**
- c) **Better Billing and Digitalisation Measures**

An outline of these changes along with any known or anticipated impact on WLBC and its residents is summarised below;-

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a) **2017 Revaluation & Transitional Relief** – The Valuation Office (VOA) have now completed the Revaluation of all business properties and as such Business Rates will be calculated using the new rateable values from 1st April 2017.

The 2010 List which forms the basis of current rates included values that were set prior to the start of the recession. As recovery from the recession has not been uniform either in geographical or property sector terms it was announced as part of the Chancellors Autumn statement that a Transitional Relief Scheme will be introduced to support the implementation of the changes. Government continues to believe it is important to provide the greatest level of support to small and medium businesses seeing reductions to gain quickly from the revaluation. Draft regulations have been published detailing arrangements similar to previous schemes, however there will now also be the introduction of a further tier for transition in 2017/18 and as such there will now be three types of hereditaments – Small, Medium & Large.

It has been widely reported that following the Revaluation, nationally there is a fall in Rateable Values across the whole country with the exception of London. In the North West there is a fall of approximately 10% in totality.

*Impact within WLBC:* Initial comparisons made against the 2010 and 2017 list for West Lancashire shows an overall reduction in rateable value of approximately 3%.

In addition to the revaluation the Government have introduced a new appeals process for the 2017 List called 'Check, Challenge, Appeal'. As its name suggest there are 3 separate stages to the process:

*Check:* The first stage of the new system is for the ratepayer to **check** the relevant facts upon which the Valuation Office Agency has based its revaluation. Any facts that can be agreed will be updated on the rating list. If there are any facts that cannot be agreed between the ratepayer and the Valuation Office Agency, those disagreements must be clearly identified.

*Challenge:* The second stage allows the ratepayer to **challenge** their rating list entry. The challenge must be submitted within 4 months of completion of the check stage.

The evidence should provide an explanation of the basis for an alternative valuation. The ratepayer will need to make a full disclosure of all the evidence and arguments that they wish to rely on for their challenge as new evidence or amendments to the challenge will not be automatically accepted.

If an agreement cannot be reached between the ratepayer and the VOA, the ratepayer can proceed to the final stage of the process.

*Appeal:* The final stage of the new process is for the ratepayer to **appeal** to the Valuation Tribunal for England.

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*Impact within WLBC:* As a result of the introduction of this new appeals process the government are aiming to provide a system which will make it easier for businesses across the Borough to navigate, particularly for small businesses or unrepresented ratepayers, with an emphasis on early engagement by all parties to reach a swift resolution.

**b) Update on 2016 Budget Measures (Revenue) and the Autumn Statement** - Several updates on changes announced as part of the 2016 Budget have been provided during the past couple of months, those which directly and most significantly impact on WLBC as summarised below;-

- *Small Business Rate Relief (SBRR):* 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.

*Impact within WLBC:* This change will have a positive impact on all businesses within the Borough with a value of up to £15k. Whilst the overall benefit of this change to ratepayers within West Lancashire is not yet known, nationally it has been reported that 600,000 small businesses will not pay a penny business rates from April 2017, whilst a further 250,000 small properties will see a reduction in their bills. The financial impact to the Council directly will be a reduction in business rates, value not yet known, however the Government will pay the Council a grant to compensate for the loss of income from the increased rate relief in 2017-18.

- *Annual Indexation:* From April 2020 taxes for all businesses paying rates will be reduced, by switching the annual indexation rate from Retail Price Index (RPI) to Consumer Price Index (CPI), as CPI is generally lower than RPI it is expected that taxes for all businesses paying rates should reduce and will represent a small reduction each year from 2020.

*Impact within WLBC:* This change will have a small but positive impact on all businesses however the financial impact on the Council will be negative.

Several updates on changes announced as part of the **2016 Autumn Statement** have been provided during the past couple of months and these include updates on;-

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- *Rural Rate Relief* - From April 2017 Rural Rate Relief will double to 100%, this change is intended to remove the inconsistency between rural rate relief and small business rate relief. However, before the requirement to grant mandatory relief comes into force Local Authorities will be expected to use their local discount powers to grant 100% rural rate relief to eligible ratepayers from 1 April 2017. Local Authorities will be compensated in full for the loss of income by Section 31 grant.

*Impact within WLBC:* This change will have a positive impact on residents affected as it will bring additional relief to residents who currently only benefit from 50% relief. The financial impact to the Council is anticipated to be minimal.

- *Telecom Fibre Optics:* From April 2017 a new 100% business rate relief will be introduced for new full-fibre infrastructure for a five year period to support the rollout of new fibre-broadband infrastructure and future 5G communications to homes and businesses.

The changes to primary legislation will be made in the near future and it is anticipated that this will enable the relief to be backdated to April 2017. DCLG and the Valuation Office Agency will work with the telecoms sector and local government on implementing the relief and will publish guidance on how it will operate in due course.

*Impact within WLBC:* At the moment no action is required by local authorities and the impact of this change within West Lancashire is currently unknown as these types of hereditaments currently appear on the National Rating list, however details are yet to be confirmed.

**c) Better Billing & Digitalisation Measures** - The Government have previously stated its commitment to work with authorities to standardise business rates bills, ensure ratepayers have the option to receive and pay bills online, make explanatory notes available online and to end multi-year billing. Below is an update on progress made and planned in these areas:

- *Publishing Explanatory notes online:* From April 2017 Authorities will no longer be required to provide individual copies of explanatory notes when bills are issued, however they will be required to publish these notes online.
- *End of Multi-Year billing on a Single Bill:* In the Summer budget the DCLG announced a simpler bill for business rates. One of the suggestions is that Local Authorities will need to issue single notices for each year rather than a multiyear bill and these changes will be effective from April 2017.

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- *Better Billing:* In the Summer budget the DCLG announced that Local Authorities would need to ensure that businesses could receive their bills via email, however whilst they do not intend to introduce a legislative requirement to provide electronic bills by April 2017, they do advise that authorities who do not already provide this service should be working towards implementation as soon as possible. This is expected to be a mandatory requirement by April 2018. It was also announced that the government wanted to introduce a simpler bill for businesses to understand, this work is continuing and they are hoping to share a model of best practice in 2017, and do not intend to enforce any mandatory changes to the bill format ahead of April 2017.

*Impact within WLBC / BTLs:* The service is well ahead in planning to support the changes due and anticipated as a result of the above and this will take the form of updating systems, websites and providing communications to local businesses.

The changes required surrounding the introduction of a single bill will require extensive system upgrades and system testing to be carried out as part of the Test Annual Billing process to ensure this is delivered on time for April 2017.

### **Council Tax**

In April 2016 legislation was passed to allow County Councils to increase their budget by an additional 2% to fund Adult Social Care. This was in addition to the capped increase limits of 1.99%. It has now been proposed that County Councils would also be able to raise the council tax precept again to support Social Care from the current 2% to 3% in both of the following two financial years, details are yet to be confirmed.

Initial legislation stipulated that the increase should show separately on all Council Tax Bills which is how bills were issued for 2016/17. However DCLG are now considering changing how Adult Social Care will show on bills, recent legislation has recently been provided and is currently being reviewed by the Service.

*Impact within WLBC:* Any increase in Council Tax will impact residents across the Council and will increase the levels of liability which will need to be recovered by the service. Any changes surrounding amendments to Council Tax Bills also requires extensive system upgrades and system testing.

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### National Housing Benefit Scheme (HBS)

As expected following the 2016 Autumn Statement and with the 2017/18 financial year approaching there has been much movement on the Welfare Reform agenda during the past few months. A summary of the main 'Benefit' related changes which will affect the service and Council are listed below;-

- *Universal Credit (UC)*: The date for UC Digital Roll out for Ormskirk and Skelmersdale Jobcentres has now been confirmed by letter from the Department for Work and Pensions (DWP) dated 16 November 2016, within the letter it states this change will be effective from December 2017. At present, in most areas only single job seeking claims are accepted for Universal Credit. From December 2017 Income Support, Income Based Jobseekers, Income Based Employment and Support Allowance, Child Tax Credit, Working Tax Credit and Housing Benefit can be claimed 'online' by residents across the Council through Universal Credit. This means that all new claims for working age customers will apply for assistance with their housing costs through Universal Credit rather than Housing Benefit.

*Impact within WLBC*: To date Universal Credit roll out has not had a significant impact on the Council's Housing Benefit caseload and it is anticipated that the number of residents who make a new claim for Universal Credit from December 2017 will also be relatively low, as this change only affects new working age customers and the Council's caseload consists of approximately 40% pensioner and 60% working age cases. However any breaks in Housing Benefit (HB) entitlement for working age customers moving forward, will mean that any future claims for Housing costs will be actioned through Universal Credit so overall UC numbers will start to increase with the resultant HB caseload reducing over time.

This migration of cases to UC will however create additional work in the interim for the Benefits Service as case information will need to be transferred to DWP and resultant queries/issues resolved. It is therefore not anticipated that the requirement for Benefits staff will reduce in the short to medium term.

- *Benefit Cap*: As announced in the Autumn 2015 Budget Statement, a new lower benefit cap was introduced on 7th November 2016, this change reduced the total income cap from £23k to £20k for 'couples', and £18k to £13k for 'adults with no children'.

*Impact within WLBC*: The Council currently has 51 residents who have been affected by the new Benefit cap and in agreement with council colleagues all of these customers have been invited to apply for a Discretionary Housing Payment (DHP), which although is very much a temporary support mechanism should assist residents affected during

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the transition period. RBS senior managers will continue to work closely with council colleagues to ensure that the allocation of DHP funding follows WLBC Policy guidance and is directed to those in greatest need of 'temporary support' to assist them in paying their housing costs.

- *Wider Use of Real Time Information (WURTI)*: From January 2017 the DWP will roll out WURTI. Real Time Information is currently provided by the DWP and enables us to update our residents HB entitlement. The development of the 'scope' of the information received in real time will provide the Council with access to HMRC earnings and non-state pension information 'in real time' for residents in receipt of Housing Benefit. WURTI will also provide alert notifications where there are changes to income details throughout the duration of the benefit claim to enable claim re assessment, the overall aim being to ensure that HB is paid accurately and is used alongside other Fraud and Error initiatives.

*Impact within WLBC*: It is anticipated that due to the improved access to information in real time there will be a reduction in the number of cases where the service will need to contact customers to verify earnings and pensions. Overall once the new ways of working are embedded this development should improve the accuracy of the HB paid to residents across the Council and ensure the Housing Subsidy Claim is as accurate as possible.

- *Fraud & Error Reduction Incentive Scheme (FERIS)*: FERIS was introduced in 2014 to offer financial rewards to Local Authorities to better identify fraud and error in their Housing Benefit caseload, and funding to support this has been made available previously under the FERIS 1 & 2 Schemes.

In January 2017 FERIS 3 will be launched for 2017/18 to help embed WURTI into Housing Benefit 'business as usual' activities along with the support of the Maintenance Funding made available by the DWP. The aim is to 'encourage' Housing Benefit teams to action as many WURTI alerts as possible, as these alerts will assist in achieving baseline and threshold FERIS targets which would trigger additional incentive grant payment for the Council.

FERIS is also being re-named as the Right Benefit Scheme, with the aim of raising customer awareness of the need to report changes and take proactive action to identify and correct unreported changes.

*Impact within WLBC*: The RBS will submit an application on behalf of the Council for the Maintenance Funding to support the implementation of FERIS 3 locally with the aim of achieving additional Admin Grant funding for the Council.

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### LOCAL DEVELOPMENTS

In addition to the range of National Developments outlined above there are also several key local developments which will impact the Revenues and Benefits Service during the coming months and as such the Council these too are summarised below:-

- *Empty Property Discounts:* Changes to discount awards as agreed as part of the Councils budget setting proposals for 2017/18 require changes to the current scheme in relation to properties entitled to an Empty Property Discount.

*Impact within WLBC / BTLs:* Residents within the Borough who apply post April 2017 will receive a discount of 50% for a three month period rather than previously a six month period. This will increase the liability to be recovered by the service and this change will also require extensive system changes.

- *Datatank:* The RBS are currently supporting WLBC with work being carried out by a third party 'Datatank' in an attempt to review the current levels of entitlement regarding Single Persons Discount, to ensure the information on which discounts are awarded in this area remain as accurate as possible. The activity entails review of circumstances using external intelligence sources and issuing letters and reminders as appropriate.

*Impact within WLBC / BTLs:* WLBC are anticipating additional income to be generated from this review, value not yet known.

- *Business Rate Maximisation and Retention:* RBS staff have been working with Council colleagues to determine the best course of action to take in order to maximise, retain and forecast Business Rates across the Borough moving forward into this critical period pre 2020. Although final details are yet to be concluded this is likely to involve utilising external intelligence sources and systems, and working with expert third parties to identify new and/or changed Business Rates liabilities within the Borough and to increase the collectable Business Rate liability for the Council.

*Impact within WLBC:* WLBC are anticipating additional income to be generated from this review, value not yet known.

- *Year End Council Tax, Business Rates and Benefits Billing Process:* Planning has now commenced to support the Year End Annual Billing process meeting with key stakeholders to agree critical tasks and milestones, to ensure statutory bill issue dates



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are met to enable collection of Council Tax and Business Rates. This critical process requires strict governance arrangements and very close partnership working to ensure key statutory deadlines are met and accurate bills and benefit calculated across the Council.

*Impact within WLBC / BTLs:* Failure to issue correct and accurate bills within the necessary statutory deadlines would put at risk the effective collection of over £90m local taxation and payment of over £35m Benefits.

- *Support to WLBC Financial Challenges :* During the past six months Senior Managers from within BTLs have been working closely with Senior Managers within the Council to identify proposals for changes in service provision which could support delivering a 10% saving on the current partnership contract, to support the Council in meeting its financial challenges. These proposals at a value of approximately £320k which contain a variety of approaches from reducing costs, increasing income and changing ways of working have now been agreed and are in the process of being implemented.

*Impact within WLBC / BTLs:* Succession and exit plans are currently being implemented within the service to ensure appropriate skills and knowledge transfer takes place, to support sustainability and deliverability of high quality service provision. The changes will have a positive impact on the Councils budget in 2017/18 of approximately £320k.

### **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 Service and arena over the coming months and years and that these changes may present challenges to the residents and businesses of the Borough, the RBS and indeed the Council.

However we continue to work closely with Council colleagues to ensure these challenges can be met and as such it is worth noting that service performance remains strong and with the exception of the 'Current Year - Council Tax' Recovery, a consistently challenging area which has been further negatively impacted this year due to the closure of Ormskirk Magistrates Court, performance across the service remains positive. From local information available we continue to perform well in comparison to other District and Unitary authorities across Lancashire.

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**January 2017**