



Critiqom Scottish Local Taxation Billing Briefing

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Annual Billing

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Annual Billing FY16/17

- We started planning for Annual Billing FY16/17 in August 2016.
- Our Production team will be working 24/7 during February and March.
- We have been working very closely with IRRV since August to ensure we understand any regulatory changes that could potentially impact the overall plan.
- It is imperative that we work as true partnership with our customers to minimise risk.
- Print and Mail suppliers are the last touchpoint for the sending of Annual Billing with very tight timelines. The transition from Customers, Software Providers to Print and Mail provider must be seamless to ensure Bills are despatch within the regulatory timescales.
- Dates provided are critical, there are many moving parts in the despatch of Annual Billing, any delays in sign off could jeopardise the despatch of Bills.

The Overall Statutory Duty

- Section 95 of the Local Government (Scotland) Act 1973
- Requires local authorities to make arrangements for the proper administration of their financial affairs, and
- Appoint a Chief Financial Officer to have responsibility for those arrangements.

Local Authority Budgets

- With the council tax freeze over Scottish Councils are free to increase the tax by up to 3% as from 1 April 2017.
- However it should not be forgotten that the council tax makes up a relatively small proportion of a typical council's finances - around 15%. In some cases, even putting up the council tax by the full 3% would add a relatively modest amount to a council's budget.
- Nationally, about £70m would be raised if every council opted for a 3% rise; which is the equivalent of the annual funding provided by the Scottish Government to maintain the freeze.
- The likelihood is only a minority of councils will freeze the council tax again - while some may opt for a rise of less than 3%.
- No council will risk the annual billing process by delaying the tax setting process which forms part of the overall budget setting process.

Revenue and Benefit Timelines

- Tax base
- Tax levels
- Multiplier
- Reduction and relief schemes
- Billing – statutory requirements
- Payment process – statutory requirements
- Enforcement – statutory requirements

General

- The major Revenues & Benefits suppliers have been in regular contact with appropriate UK and Devolved Government Departments.
- I have much sympathy on this occasion with the software providers and whilst they can be seen as protecting their own interests by seeking to deflect criticism.
- The problem will be at its most extreme in England where Councils are put under immense pressure by the DCLG with regard to NDR1 returns. In many councils the people responsible for statutory returns are also integral to the annual billing process.
- This is the same in Scotland the difference is that the Scottish Government usually behaves differently in such circumstances.

Council Tax

- Freeze abandoned
- replaced with ability to increase by up to 3%.
- Ratios for bands E to H increased
- Last day for making tax base 11th March 2017
- 15th March, in practical terms, final day for dispatch of demand notices to enable 1st April first instalment which is the earliest date you can fix

Council Tax

- The contents of a Demand Notice is covered in the Council Tax (Administration & Enforcement) (Scotland) Regs 1992 (See Reg 28 and schedules 1 and 2).
- The Regulations do not require an explanation of the bands calculation but the appropriate “accompanying documentation” for both the relevant Council and Scottish Water (this can now be available electronically) will need to contain explanations.
- This will prove to be quite a challenge as the Scottish Government has shown little consistency in its own documentation.

Council Tax

- Scottish Parliament budget fixing delay
- Should LAs delay procedures, No because of statutory duty to make by the 11th March
- Cash flow implications of delaying first instalment
- **Last day for precepts and Scottish Water charges 20th February**

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Council Tax

- It is not all bad news insofar as the Annual Up-rating of Housing Benefit has already been received and because of the restrictions on up-rating there are few changes to address with the exception of those introduced by the Scottish Government.
- These include the increase of the child allowance within the Council Tax Reduction Scheme by 25% which will benefit 77,000 households by an average of £173 per year and the changes in calculation of CTR for claimants in receipt of Universal Credit.
- The changes in the ratio of the council tax bands provide a greater problem in terms of their explanation rather than their appearance on the bill. The issue is exacerbated by the fact that the water service charges banding relationship does not alter.

Non Domestic Rates

- The Scottish Budget made no mention of Transitional Relief and the changes that were outlined refer to the multipliers and thresholds on reliefs and supplements.
- In terms of the main poundage and reliefs the Scottish Government has sought to mirror the circumstances in England, I do not therefore see any issues developing from this alone.
- There can be little quibble that the delivery of legislation as late as the 20th December is a very real and legitimate reason for software suppliers delaying their release.
- The remaining risk is that it is a known fact that some MSPs in Government and opposition parties favour a transitional relief scheme.

Non Domestic Rates

- The real problems for Scotland are however linked to when each Assessor can provide the final version of the Valuation Roll.
- In some areas this means that it may be Mid-March before the “final” version is in the hands of the Council. That is not to say that billing on earlier versions may not be used.
- The decision will have to be made at each council and it will depend on the inter-relationship between their first instalment date for Business Rates and the amount of properties that the Assessor has yet to finalise.
- On the other hand if they have only a few 1st April instalments and are expecting few amendments on the last version of the Roll they may not see it as a problem to go ahead with annual billing before they receive the final Roll.
- Again an indication of what each council is thinking can only be gleaned by talking to them or at least sending out a questionnaire seeking conformation of their billing slots.

Risks and Remedies

- Software late or faulty delivery – This is the high risk area and whilst not wishing to be complacent is unlikely to be a total failure on either aspect.
- Councils go through an extensive testing regime and it is usual practice that a few will act as “beta” testers on early releases of software. The risk of catastrophic failure is therefore less in my view than the risk of late delivery.
- Late Tax Setting - There may well be a considerable amount of political brinkmanship I believe it is unlikely that this will, in itself, be the cause of a delay in issuing bills in order to meet a 1st April initial instalment date. It may however use up any remaining contingency time that a sensible Revenues Manager has included in their timetable.
- Late issue of 3rd Party Requirements – Again it is unlikely that Scottish Water or any others are likely to do this

In Conclusion

- It is essential that all Local Authorities develop a partnership with suppliers
- The Institute is determined to keep you informed
- Regular updates
- Intelligence around key legislative proposals
- Picking up the pulses around local government, and
- Addressing topical operational Scottish issues