



Northern Ireland
Assembly

Public Accounts Committee

OFFICIAL REPORT (Hansard)

NIAO Reports on Statement of Rate Levy
and Collection 2009-2010 and 2010-11

24 October 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Ms Michaela Boyle (Chairperson)
Mr Sydney Anderson
Mr Trevor Clarke
Mr Michael Copeland
Mr Paul Girvan
Mr Ross Hussey
Mr Daithí McKay
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Sean Rogers

Witnesses:

Mr Richard Pengelly	Department of Finance and Personnel
Mr Stephen Peover	Department of Finance and Personnel
Mr Alan Brontë	Land and Property Services
Ms Patricia McAuley	Land and Property Services
Mr John Wilkinson	Land and Property Services
Mr Kieran Donnelly	Northern Ireland Audit Office

The Chairperson: I welcome you all to the meeting. Mr Stephen Peover, the accounting officer in the Department of Finance and Personnel (DFP), is here to respond to the Committee. You and your team are very welcome. Can you introduce your team?

Mr Stephen Peover (Department of Finance and Personnel): With me are John Wilkinson, chief executive of Land and Property Services (LPS), Alan Brontë, who is commissioner of valuation, and Patricia McAuley, who looks after revenue and benefits in LPS.

The Chairperson: Thank you, Mr Peover. I will begin, and members will then have an opportunity to put their questions to you.

When we looked at this area in a 2008 evidence session, we found that there were huge problems. Mr Peover, can you indicate to the Committee where you feel Land and Property Services has improved and where more work is needed?

Mr Peover: OK. That is an exercise in self-criticism. There have been improvements. The Comptroller and Auditor General's (C&AG) report on the statement of rate levy account shows those improvements. We have increased the level of collection. We have set challenging targets for LPS over the past couple of years. Not only has it met them but it has exceeded them to the point where

we have now raised the target for the current year to £1.1 billion. So, we have a record collection of rate income by LPS.

We set targets for debt reduction, which have not been met. However, there has been an improvement. Over the past couple of years, we have seen the beginning of a downward trend in debt for the first time in many years. Indeed, that comes after quite steep increases in the level of debt. So, I am encouraged by the downturn in debt. It is slightly wrong of me to say this, but when we set the target of £145 million, John and I spoke about it, and I thought that it was an overly ambitious target. I am sorry to have been proved right. LPS has done well. It has coped with a whole range of rating reforms over a period, including, more recently, the rating of empty homes. We have tried to push more resources into Patricia's directorate to help to improve collection. So, I think that it is a mixed picture. There have been successes and improvements. There has been a sustained level of improvement in collection.

Debt is still a problem for us, and it is one that we will have to tackle. However, in that sense, we are no different from any other private or public sector billing authority. People are under pressure at the moment, whether they are private individuals or businesses. It is to be expected that recovering debt is increasingly difficult. However, we will come back to the detail of that later. We are seeing increasing levels of bankruptcy, both at individual and business level. We are seeing a huge increase in the number of people who are entering into payment arrangements with us to try to pay off debt. We are conscious of the pressure on people. Indeed, the Minister's postbag has many more letters in it about trying to reduce the pressure on individuals or businesses than letters from people urging us to get on and enforce debt.

So, it is an issue of public concern. We recognise that. Our job, and John's job as chief executive of LPS, is to do the job that we have set, which is to maximise the rates take. That is because that money is ploughed into public services at both regional and district council level. So, it is a balance that we have to strike. I think that it is an improving position. It is far from perfect, but I would not claim otherwise. However, it is improving.

The Chairperson: What are you actively doing to recoup money that has been lost because targets have not been met?

Mr Peover: Are you referring to the debt target in particular?

The Chairperson: Yes.

Mr Peover: We put a lot of resources into debt collection. We have recruited additional staff. We have tried to simplify procedures. We have tried to employ more innovative techniques in tracing people. Part of our problem is in finding people who owe us money and finding out who they are. That can be quite difficult. So, we have put a lot of resources into that tracing effort and into trying to enforce debt. I am trying to think of the figures now. About 40% of the debt that is on our books is in court processes. That is worth around £60 million. So, around £60 million-worth of debt is being taken through the courts. We are increasing the level of cases that we take to the courts. All that takes a lot of time and staff resource. It is not something that we particularly relish, because we do not want to force people into those situations. Nonetheless, we have a general duty to ratepayers to make sure that some people do not get away with not paying their rates when others are legitimately paying what they are required to.

So, we have put a lot of effort in. Patricia may want to comment on some of the specific initiatives, but, generally, it is an area that we have prioritised. We have put additional financial and human resources into this area of activity, and I think that is beginning to pay dividends.

Ms Patricia McAuley (Land and Property Services): In 2010, we introduced a debt action plan and took a number of actions that have now become normal business for us. For example, we have set up a team in the directorate to look at targeting historical debt. We have looked specifically at accounts that have been end-dated and have sent them out to be traced through our tracing services, and we have done the same with any returned mail that has come back. So, as Stephen said, a number of actions have been taken. We initially started that work as a one-off exercise, but we have now moved those actions into normal business as usual. That is the sort of work that is ongoing on a daily basis to try to tackle the debt. However, as Stephen said, it is becoming increasingly difficult. We have had significant increases in the number of people who are looking for payment arrangements. That figure

has gone from just over 2,000 in 2009-2012 to around 12,000 last year. So, I think that that is a very good indication of how difficult it is for people to pay their bills.

Mr Peover: Our aim is to get the money in — that is our prime objective. Although some of it counts as debt, if someone enters into a payment arrangement and keeps it up, it is debt in a notional sense, in that it is money owed for a previous year. However, our usual way is to try to get someone to pay their current year's bill and to pay something towards the arrears and to cover those within a reasonable period of time. It still counts as debt while they are paying. We have about £11 million in payment arrears being secured through those means, and although it is debt in the strict sense of the term, provided that people keep up with their payments, it is money coming in.

The Chairperson: I have one more question before I let other members in. Sometimes we hear about ratepayers who get their rates bill and the next correspondence that they receive may come eight months later when they get a letter summoning them to court. I presume that that is not how things should work out. Can you talk me through the process from the time a red bill is received to the point where people end up in court?

Mr Peover: That is quite an extensive process. We go through a lot of steps with ratepayers before we take them to court. Court action is a very last resort for us. There may be exceptions, and I would not want to guarantee that we always make the contacts that we should in every case, but there should be repeated contact with a ratepayer. There should be an attempt to agree an arrangement with them long before we get to court. Even when we are going to court, quite a few of the ratepayers will come to us on the steps of the court and agree an arrangement at that stage.

The Chairperson: What would those arrangements be?

Mr Peover: To pay off the arrears within a reasonable period.

The Chairperson: Through a payment plan?

Mr Peover: Yes, a payment plan. It is not in our interest or in the person's interest to end up in the courts. Fees have to be paid for a court process, it is a time-consuming process, it draws on our staff time and it is time that we could have spent better doing other things. So, rather than going to court, we will try and make an effort to work with ratepayers as far as we can to agree an acceptable arrangement for payment. We do go to court; we have about 18,000 or 19,000 cases that have gone to court.

We encourage people to come and tell us whether they are in difficulty, as most organisations do when they have people who owe them money. We will see what we can do to work with them. It should be a last resort. One of the problems that we often have is that ratepayers do not tell us things. For example, they do not tell us when they move into a property or when they have extended the property. We then find out by some means one, two, three or maybe many years later, and we end up with back-dated assessments. Again, that is not in our interest, and it is not in the ratepayer's interest. We would like people to engage with us.

The Chairperson: How would you work with councils on that if, for example, someone fell into arrears over an extension to their property or something like that?

Mr Peover: They are not real problems. If someone has an altered domestic case and they come to us looking for a revision, that will take effect only from the next rating year. I will check that with Alan. We work with councils to try to identify properties that may be occupied but where rates are not being paid, and to identify an occupier of non-domestic properties, so we have contact with councils to try to ensure that we have sufficient information to bill someone promptly. Again, that is something that we have been improving. We have a far from perfect record on it, but we have improved in that we have been getting the numbers of cases in hand and the average age of cases in hand down.

The Chairperson: Mr Clarke wanted to ask a supplementary question, and then Mr Hussey.

Mr Clarke: I could probably blend my supplementary in with my main question, if that is OK.

The Chairperson: Yes, that is fine.

Mr Clarke: I will go to my main question first, and I will bring this in as a supplementary if that is OK.

In the table at paragraph 12 of the 2010-11 report, the number of domestic cases has reduced from 50,000 to 25,000. Your letter states that this figure has reduced to 23,000. Although that is acknowledged, there is still a very significant backlog, and I wanted to pull that into something you said in response to the Chairperson. I think you have been fairly complacent. You have congratulated yourselves on meeting your first target, but what that says to me is that you have penalised those people who are prepared to pay and have let off those who are not prepared to pay. Although you have met a challenging target, as you described it, in the collection of rates, you have let those who are refusing to pay for whatever reason go. I think you have got things in reverse; that is my opinion. What assurance are you giving us and the wider public who pay their rates, and I declare an interest as a ratepayer, and I pay on time, that you are reducing the backlog on valuations?

Mr Peover: Let me take the first point: I do not regard getting people to pay the rates they are due to pay as penalising them. We all have a rates bill and we should all pay it. Improving the level of collection is simply improving the efficiency of our organisation in making sure that we get the rate liability realised. I do not think that that is penalising people.

I take your second point, that if someone is persistently refusing to pay their rates or avoiding rates, then they should be pursued and we will pursue them. We will pursue them with a degree of sensitivity, as I said to the Chair. If they have real problems, we will work with them to try to help.

The number of cases in progress, the 24,000 or whatever the figure is — it is lower now — is made up of different categories. Most of them are domestic alterations, which are relatively small scale and, when incorporated into the valuation, will make very little difference to the rates due. Those have been a lower priority for us, and I think we will have to accept that we could have devoted more resources, but we devoted our resources to the higher-priority, bigger-value cases over recent years.

Mr Clarke: Sorry, I cannot accept that being a lower priority. If we were to apply a figure of £70 on the outstanding 16,000, which I think is a fairly liberal average figure of what an alteration could cost, that would bring in an extra £1 million. Again, for those who have paid their rates on time, the system is as it is, and those who have abused it have been let off again.

As well as that, you said that you were working hard. I do not think that you afforded the credit to councils that you should have, because the councils are also working hard. I am led to believe that they notify you on completion. In your statement to the Chairperson, you said that some people do not tell you that they have moved or that they have extended. They do not have to tell you that because someone else is doing that for you. Local government is doing that for you; it is advising you in terms of their inspections. I see you nodding your head, Patricia.

I should declare an interest as a member of Antrim Borough Council. We are regularly told through our building services that the building control officers notify Land and Property Services whenever completion certificates have been realised, and the reason they are doing that is obviously because they are a beneficiary in terms of the collection. However, you have said to the Chairperson today that people do not tell you. Well, if they do not tell you, that is fair enough, but someone does; someone is doing that job on your behalf, and I think that you have failed.

Mr Peover: They are different things, Mr Clarke. When an extension or a new property is completed, then we get a notification of it, but if someone simply moves or if someone extends their commercial premises into the shop next door or whatever, we may not know and they may not tell us.

Quite often, the complaints that the Minister gets from MLAs about cases where we are imposing payments for arrears are to do with cases where someone just has not told us what they have done or where they are. They have taken on premises and have not let us know about it. We have problems with people such as sole traders who do not leave a paper trail. They may open a shop for a while, close it and move somewhere else. There are issues about notification.

We have no difficulty with councils notifying us in general terms on completion; that is fine. I was not implying any criticism of councils in that regard. Indeed, we have worked well with councils over the years in doing vacancy inspections and having council staff provide us with information about vacant premises and whether they are occupied. We have a good working relationship. We are currently working with 14, soon to be 20, of the existing 26 councils on the non-domestic vacant inspections.

That process is working well and I pay tribute to the councils for their involvement over the years. I intended no criticism of councils.

Mr Clarke: What about the calculation based on the 17,000 valuations that have not been done and applying a rate of approximately £70?

Mr Peover: We reckon that it is about £60. There is a median valuation change of about £10,000 for those.

Mr Clarke: So you are talking about £800,000 as opposed to £1 million?

Mr Peover: Well, it is around that sort of figure, yes. You are in the right ballpark. Compared with the total rate take of £1.1 billion it is relatively small, but like all public bodies, we have budget limitations on the number of staff that we can employ. We have to prioritise the higher-value cases.

We want to get that backlog down. I am trying to avoid sounding complacent about this. It is important, and we have got it down, but there are other cases that we regard as higher priority, and which need more resources in the interim.

Mr Clarke: I appreciate that, but given the climate we are in today, the reduction in certain aspects of the public sector and the redeployment of staff, and where you came from previously in the Department of the Environment (DOE) and Planning Service, I am surprised that you could not use some of those staff because there are fewer planning applications in the system. There would be opportunities for them to gather this money.

You mentioned sole traders; I have to declare a further interest as a sole trader and as a partner in another business interest. We asked for a calculation and were told that it would take at least 90 days. We are ringing up Land and Property Services offering to pay money but we are being told that it will take at least 90 days for them to come and make that assessment. How many other people in Northern Ireland are in that situation? How much more are we losing because of that?

Mr Peover: Well, in a sense, we are not losing it.

Mr Clarke: I would say that we are losing it, because some people are honest and make an application to you to pay it. You are telling them publicly that they will have to wait at least 90 days for an assessment. There are others who are not making that application.

Mr Peover: We cannot operate on the basis that every application that comes to us can be processed immediately it is received. We have to have a volume of work in hand, otherwise Alan's staff would be sitting waiting for the phone to ring and for letters to arrive.

Mr Clarke: There is no danger of that at the moment.

Mr Peover: The figures have come down. They have improved significantly over recent years. The work in hand is down to what, Alan, a few per cent?

Mr Alan Brontë (Land and Property Services): At this point there are just slightly over 20,000 cases. However, as the permanent secretary said, we have brought down considerably the number of altered properties at the year end, but in doing that we have completed some 53,000 cases. Cases come in all the time; they do not stop coming in.

We have taken decisions in terms of prioritisation. For example, with the introduction of rating of empty homes we thought that it was very important to deal with applications from people, for example, who said that rates had not been paid on their house for a long time and that because it was in ruins they believed that we needed to inspect it.

We would deal with personal applications from people who feel that their valuation is too high or wish to appeal or make a case to the valuation tribunal. We have also prioritised new houses that are being built, because putting a new house on the valuation list is much more important for customer service, so that people are not faced with backdating, and for councils, so that they can keep what growth there is in the valuation list.

As Stephen said, we have had to prioritise. It would be great to be able to clear up all those cases, and that is what we are doing. The figures for altered properties are now down further, but those properties have a minimal effect on the valuation list. Indeed, by law, they do not come into effect until next April. Councils are able to anticipate that in their rateable valuation list.

Mr Clarke: That is if you get them in the same year.

Mr Brontë: Yes, that is if you get them in the same year, but £10,000 of capital value would be £60 of revenue in the great round of things. It is more important, for example, to put a new property on the valuation list, either a new house or a new non-domestic property than deal with a challenge or appeal.

We have to take those decisions. We try to deal with people who are in a position of hardship; who, for example, are faced with a bill from the rating of an empty house where we believe that we should inspect. Indeed, many of those properties have had to be taken off the valuation list. Those are the prioritisation exercises that I have to take every week.

As I said, it would be good to be able to push all the cases to zero, but that will not ever be the case. We have looked very carefully at the altered domestic properties and I think we have made considerable progress. We are not finished there, but we are very close to being there.

Mr Clarke: Sorry, on that same question about the 17,000; if you do not collect that and you do not make a more reasonable approach than you are currently making, Stephen, it is money lost. You said it was not money lost, but if it is not captured in the same year, it is. If we carry over 17,000 year on year, we are losing £800,000.

Mr Peover: Yes, if we carried over 17,000 year on year, but we do not usually do that.

Mr Clarke: How many are we carrying over?

Mr Peover: I can check the figures for how many are outstanding over a year-end —

Mr Clarke: If you take that almost 17,000, some of those will not be for this year, possibly were last year. They will not be completed this year, so that is two years' of lost money, because you only collect it in a year.

Mr Peover: The average time outstanding for an altered domestic property — Alan, have you got the figures for that?

Mr Brontë: The figure has gone down, now. The average age is around 500 days, so it is in average terms —

Mr Clarke: A year and a half?

Mr Brontë: Yes.

Mr Clarke: So, that is two years.

Mr Brontë: You declared an interest as a councillor. I have spoken with many councils, and I think that their priority would be putting a new house on to the valuation list. They would see the priority of dealing with the challenge that is outstanding, so that that takes away the risk from the council of the rate base being eroded. We do talk to councils; we have working groups; and we discuss the prioritisation of our casework. Every single council sees putting new properties on the list and dealing with significant challenges as the most important thing. We are tackling the altered domestic property, and the figures show that.

Mr Clarke: It will be interesting to see where the growth is with all these new houses being built, even though they cannot get to alterations. Building control officers tell me they are focusing more on extensions and adaptations as opposed to newbuilds. It is interesting to hear that Land and Property

Services is inundated with all these newbuilds in Northern Ireland. They are certainly not in the Antrim Borough Council area.

The Chairperson: Mr Hussey, before I bring you in, I will bring Mr Girvan in, because his question is around that point.

Mr Girvan: Thank you, Chair. Thank you for coming along to the Committee this afternoon.

Trevor mentioned revaluations: paragraph 10 of the report refers to one that had a very marked negative impact on a council. Had it happened in the year in which it was requested, it would not have been as damaging. However, it happened in 2003-04, and was not resolved until 2010. That was in relation to a major valuation of a commercial property; the large Tesco warehouse site in Antrim. When it was recalculated, the ratepayer had to take a hit of almost half a million pounds in one financial year. The council had no mechanism to ease that in over a period of years; it had to take the hit on capital because the finalisation figure hit the council within the financial year of 2010-11. It had to make a calculation reducing its budget by half a million pounds because LPS was off on that point. What measures are you taking to ensure that those sorts of major impacts on a council do not happen? You mentioned 17,000 that are worth £1 million, here we have one that was equating to half a million over a period of years and was allowed to accumulate, and I have to believe that someone had their eye off the ball. That had a major impact, not just on one person, but a whole community. We really need to focus in on why that happened when we prioritised it. I appreciate that bringing in new houses is important. However, we are dealing with a revaluation. When the revaluations came out, they proved that a number of people were paying in excess of what they should have been paying.

What you doing to ensure that they are being dealt with in a timely manner? How will you prioritise to ensure that they are not going to have a major impact upon a council's budgeting process for a year? It could potentially put the council in difficulty.

Mr Peover: I will let Alan speak about the detail of those sorts of cases, and they have arisen. By way of reassurance, I can tell you that, currently, 97% of our cases relate to 2011 and more recently. There have been backlogs and there have been those sorts of difficult appeals in the system which have taken far too long to clear. However, we are actively striving to resolve that.

Mr Brontë: I know very well the case to which you refer. John and I went personally to the council and apologised for an extraordinary delay. It was a delay at which we were not very pleased ourselves. We readily acknowledged that it was a very lengthy case and that we would have liked to have resolved it much earlier.

There are two sides in an appeal. Ratepayers are quite often represented by an agent. We strive to get a case agreed. I absolutely agree that this case took a very long period of time. It emphasises the point that we want to prioritise appeals-type cases, because we are aware of the knock-on effect that those can have on a council.

Indeed, we now work very closely with council finance officers, more closely than we ever have done before, and certainly over the last couple of years, to flag up cases that are outstanding.

Mr Girvan: I welcome that. Historically, it has not been the case, but in recent years it has improved dramatically and I really do welcome it.

Mr Brontë: Thank you.

We have taken now the average age of that type of application. In 2008, the average age of an application to the district valuer was 1,000 days; in 2012, it is 93 days. That shows the measure of how we have looked very closely at those cases.

However, I should say that, after a revaluation, all the appeals come in at the one time, and it always takes a few years before those appeals come out of the system. This clearly took too long. It was a large property and we are very aware of the impact that it had on the council. However, the assurance that I can give to the Committee is that the average age of such cases is now 93 days. They continue to be looked at and scrutinised both at local and regional level.

Mr Girvan: The worrying thing is that we are on the mouth of another revaluation.

Mr Brontë: Absolutely.

Mr Girvan: The difficulty is that that will not necessarily throw up in the first year. The first year that those rate bills hit will be a year that will be fraught with all sorts of difficulties. What mechanisms will be put in place to ensure that, when that happens, we are not in the same position as we are now, of dealing with stuff which has already had a long history, when we are well into the process. Once those hit, we are going to be in big trouble.

Mr Peover: I will comment just on the general point of relationships — it is one of our most important relationships. John and I have spoken about this a number of times since I took over in DFP, three years ago. We have made it a priority to build those relationships, both at a personal level and a structural one. We now have much better engagement on this, with the penny product throughout the year with the finance officers. That relationship — and thank you for the tribute you paid to it — is very important to us.

There are real issues about 2015. The Mayans talked about 2012 as the end of the world. From our point of view, 2015 will be a very difficult year. As a senior management team with me, John and his colleagues involved, we are dealing with those issues. There are a lot of things happening in the run up to and during that year. Changes to welfare reform will be kicking in; there is the revaluation; and the shift to the reformed structures of local Government. All of that will come together to make that planning period up to 2015 a difficult period for us all, and the implementation period, post-2015, will be difficult. We are very conscious of the challenges that we face, and are actively working our way through those at the moment.

Mr John Wilkinson (Land and Property Services): In response to Mr Clarke and Mr Girvan, we did start — going back five or five and a half years — with some backlogs of work, and some of the questions and issues that we have just discussed are representative of that.

In 2007 we had something like 55,000 cases outstanding in the valuation part of the business. Working over the last five years and prioritising — dealing with appeals first of all, with the Tescos and the new properties that bring the big amounts of money into the valuation lists and support the councils in terms of their finances — we have brought that down to just under 25,500, so we have almost halved the total number of outstanding cases.

Running parallel to that, in Land and Property Services we have been looking at all of our processes and looking at an end-to-end approach to rating. That starts with the information and the working relationships we have built up with councils. It includes some mapping and valuation, billing and benefits. We have been rolling out what we call a service delivery model to improve our processes and our efficiency, because, at the end of the day, in the rating system, the sooner you bill and the more accurate the information you have, the better your collection levels and arrears levels are. That is what we have been focusing on. Apart from dealing with the year-to-year volumes of work — over this period, for example, with the domestics, on top of the work that is shown in the figures, we have also dealt with 170,000 cases — we are looking to improve those processes, again, with an eye to the future and that post-2015 period.

Mr Hussey: In your introductory remarks you made several comments about staffing. How many additional staff have you employed, and how much has that cost?

Mr Peover: We have 1,069 full-time equivalent staff in LPS. That increased by about 80 staff from 2008, when we had 984. In terms of expenditure, the staff budget for LPS is about £32 million, if I remember rightly. We have put additional resources in. We bid for and got money from the Executive — £500,000 at one stage — to improve the level of collection. We have improved it. We bid for more staff and got a number of staff in on Patricia's side to try to improve the quality of our work. We will be coming to housing benefit later, but we put additional staff in there.

So, we have actually allocated additional resources, in a time of significant budget constraint for the Department. Bear in mind that DFP's budget has been reducing over the years. We have been subject to the same strictures as all of the Departments, but we have prioritised LPS and provided additional resources for it.

Mr Hussey: Will you clarify how many court cases there were for the year 2010-11?

Ms McAuley: About 19,600 court processes or court decrees issued.

Mr Hussey: How many objections to the issue of the summonses have you received? You say that there is a process to be followed. I will make a declaration, Chairman; I received one of those summonses, and there was absolutely no communication at all. It was not actually due, so therefore I was not sent to jail and I did not actually owe any money. How many have you received complaints about?

Mr Peover: How many complaints have we got about people getting summonses when they were not due them?

Mr Hussey: Yes.

Mr Peover: I do not know off-hand. I would need to find out, but I would not think there were very many.

Mr Hussey: Clearly the process does not work all the time.

Mr Peover: Nothing is perfect.

Mr Hussey: Exactly, but you say that you have repeated contact and attempts to resolve — there was absolutely no repeated contact, no attempt to resolve.

Mr Peover: We have a process —

Ms McAuley: In terms of the figures, we obtained 19,600 decrees from the court. We actually issued 45,900 processes to individuals who had not paid their bills.

Once the process is issued, the ratepayer is very often prompted to contact us. In almost half of the cases, ratepayers will pay the bill or enter into an arrangement with us. The 19,600 figure is the number of people who have actually gone through the court system, and the court has awarded a decree.

Mr Hussey: Some 26,000 were issued. Are you telling me that not one of those 26,000 people complained?

Ms McAuley: I would not say that not one of them complained. I am not sure that we have records on complaints from people. Very occasionally, somebody will contact us and tell us that we have issued them with a court process but that they have paid their bill. However, that does not happen very often.

Mr Hussey: There is obviously a cost involved in the court process.

Ms McAuley: Yes, there is a cost in issuing the court process. It is about £30.

Mr Hussey: It may be a small figure. There are 26,000 people, 13,000 of whom may then enter into arrangements and everything else, but there will be a percentage that were issued erroneously. I would like to know how many were erroneously issued.

Mr Peover: We can have a look at it. We do get correspondence from MLAs occasionally complaining that someone has got a bill, but had already paid it, or was not due to pay it. There are very few. I saw one today before I came out, but I do not see very many of them.

Mr Hussey: It is not the bill I am referring to. Obviously, I am more worried about someone receiving a summons to appear in court. If that were an elderly person, they would not be overly happy. I was not happy to receive one, and I am not elderly, I hasten to add.

Ms McAuley: I am sorry, Mr Hussey, but may I clarify the figure of 26,000?

Mr Hussey: If you are saying that there were 45,900 issues processed —

Ms McAuley: You mean the difference. That is not people who were not to get a court process. The court process is an ongoing process.

Mr Hussey: I accept that. The figures you gave were 45,900 processes issued and 19,600 decrees. Take one from the other and you get 26,000. You actually get 26,300; I was being generous. Then you made reference to the 13,000, but there must still be an erroneous element. I would like an indication of how many.

Ms McAuley: We can certainly look to see if we have that information.

The Chairperson: The Committee is requesting that information.

Mr Peover: Those are the sorts of things that would come to the Minister. We tend to see very few of them, but we will check to see if we have figures. It is certainly not in our interest to pursue people who do not owe us money.

Mr McKay: What resources do you need to meet the challenges ahead?

Mr Peover: If someone could write me a cheque, I would be happy.

Mr Clarke: There are loads of cheques waiting for you.

Mr Peover: Those cheques would alter domestics. We are working our way through the various challenges. We sat down together and brainstormed the sorts of things that need to be done over the next five to 10 years. There is a focus on 2015, because 2015 brings together a number of things, such as non-domestic revaluation, local government reform and, probably, welfare reform. The scheme that we have for rating relief for owner-occupiers and housing benefit needs to be addressed at that stage as well. So there are a number of things coming together. I cannot give you a figure for what resources we need to deal with those, because we are working —

Mr McKay: Have you made any projections in respect of staff?

Mr Peover: I do not expect the staff of LPS to change significantly over the years. By and large, it is a matter of reprioritising staff to deal with issues. At the moment, we are talking about identifying the challenges, looking at the actions and policies that need to be implemented to meet those challenges and developing procedures to do it. I would not want to hazard a guess at the moment at what resources we will need. It is a key priority for us, and we will prioritise resources within LPS. If John comes to me and says that he cannot manage and needs a short-term injection, it is my job as the accounting officer of the Department to try to make sure that a key business for the Department does not fail.

Mr McKay: What level of pressure do you feel LPS is under at the moment, compared with 2008?

Mr Peover: I think the Department has done quite a bit to try to help LPS. We spend quite a lot of our corporate collective time thinking through LPS issues. We have tried to provide support to John and his senior management team.

Nobody likes paying bills or rates. I understand the situation that many people find themselves in. They are having to prioritise their bills, and they may need to pay their electricity bill or their gas bill, for instance, ahead of their rates bill. People are in a very difficult situation, and we understand that. Our job on the other hand is to try to maximise the collection of rates. We have allocated additional resources to LPS. John can say whether he feels adequately supported by the Department. We feel that we have done quite a lot to support LPS.

I do not want to get into history, but LPS is a relatively young organisation. It is the amalgamation of four different organisations from the past. It was not even a clean single-year amalgamation; it was done over two financial years. It involved bringing together four organisations that had different cultures, policies and processes and staff who had not worked together before, and trying to meld them into a single organisation with a single culture that has a clear view of its overall corporate organisational priorities. That is easy to say, but it is very difficult to do in practice.

I pay tribute to the senior management team, which has changed over the years. We have been moving and reducing the size of the senior management team too. They are doing a job in bringing the organisation together, particularly one that is scattered over a large number of buildings and which does different things. John made reference to the service delivery model and trying to unify the processes so that the various bits of the organisation work better together. They have done a creditable job over the years against the challenges that they faced, plus the rating reform that was introduced at the same time.

They could always do with more resources, and I am certainly always willing to listen to a case for resources. However, we in DFP do not have any additional resources; we would have to prioritise them from somewhere else. My senior management team's job is to look at where the pressures and priorities are and to make a determination on how we allocate the Department's overall resources to key areas of business. LPS is a key area. It is our main forward-facing, outward-facing bit of the organisation. It is the one that interacts with all 840,000 ratepayers in Northern Ireland, and its reputation is important to the reputation of the Department. If LPS is seen as an inefficient or failing organisation, or if it is taking people to court when it should not be, it affects DFP, not just LPS. It is important to us to get it right, and we will work our way through the pressures.

Mr Wilkinson: The pressures have changed. In 2008, we had a relatively new IT system, and some backlogs were causing a great deal of difficulty. We were in the early stages of the merger. Four years on, some of the early pressures, such as the IT systems and the backlog of work, which have cleared, have eased. However, the big issue for me has been a combination of pressures. First, there is the economy, which has not eased; it has got worse. I see that day to day in the letters and correspondence that I deal with from people who are struggling to pay their rates bills. Secondly, as we have settled as an organisation and started to improve, other pressures have come along. For example, we do not deal only with rates. One of the other big areas of work that we do is with the national mapping organisation for Northern Ireland. We have also been doing a huge job for DARD over the past 12 months. The pressure is still there; it is just changing.

In respect of what the permanent secretary said, there is a bit of déjà vu for me. I came into this shortly after a revaluation, and, very soon, we will be in the same situation, with the policy changes, IT changes and the things that accompany those.

Mr McKay: How big a pressure were initiatives such as the rates relief for small businesses and the rating of empty homes?

Mr Peover: The rates relief for small businesses is not a particularly large pressure. However, the rating of empty homes was a big issue for us, because we had never had to concern ourselves with vacant property, except to find out whether it had become occupied. There was no rating liability on vacant property. As Alan said, we had some 6,500 appeals, if you want to call them that, in the first year from people claiming that they should not be liable. We are still getting correspondence from people who do not like the policy and who think that it is inequitable. Recently, we had one from someone who said that he had a share in a property that had been left by parents who had died. He asked why he and his family should have to pay rates on a vacant property that was being sold but which had not yet been sold. There are the human sides that are still coming through the system. It was a challenge for LPS.

Mr Wilkinson: In the year before the introduction of the rating of empty homes, the valuation directorate did some 10,000 inspections to start clearing up the list so that we did not end up doing a lot of nugatory work serving bills and rates demands and aggravating people when properties were derelict. In a normal year, domestic challenges to a district valuer run at 1,800 on average. In the year of the introduction of the rating of empty homes, we received more than 6,000 applications and cleared more than 5,000. Those are the sorts of ups and downs and cyclical pressures that we deal with.

Mr Peover: With regard to your point about staffing, and Mr Clarke's point about using the planners who are now underemployed in DOE, we are using some of the planners, not on the revenue and benefits side but on Alan's mapping side. They are working on the project for DARD that John mentioned, improving the mapping for Northern Ireland so that we can avoid disallowance. We are making very productive use of some planners, who would otherwise be twiddling their thumbs.

Mr Wilkinson: We are remapping some 730,000 field boundaries across Northern Ireland.

The Chairperson: You talked about simplifying procedures and improving efficiencies and the extra resources that you have in place. May I make a suggestion or request on behalf of the people out there? Take the example of someone who was recently made unemployed who comes into my office and is not sure what they are entitled to. I am talking about people who have never been in the system. They ask me to contact the DHSS office, who can tell me over the phone whether they are entitled to jobseeker's allowance or another benefit.

When I ring Land and Property Services for them, I get the retort, "I will send them a form." I understand that you need to fill out the form to see whether you are entitled. However, if I tell LPS that they are on jobseeker's allowance or disability or whatever benefit, I still do not get a response other than, "I will send out a form." That is what is happening, and it is frustrating for individuals who were never in the system before. They go out frustrated, not knowing whether they will get relief for their rates.

Mr Peover: That is something that we can perhaps look at. We operate with two groups. Those passported on the normal benefit system come to us seeking rate relief when they are owner occupiers. Those are relatively straightforward. The SSA will tell us that that person is entitled to whatever the benefit is, and we will process it.

There are others who have to provide us with evidence and information because they are not on a passported benefit. That is more difficult. I know that we will come to that later. We would certainly not want to mislead a caller, to say to someone that they are likely to be entitled and then find that they are not or vice versa.

The Chairperson: It is striking a balance.

Mr Peover: We want to provide as much information to the public as we can and we want to help people.

Ms McAuley: I can understand the frustration. The award of housing benefit for rate support is quite complicated. As Stephen said, some people will be passported. For example, if someone has been awarded income support, they will get housing benefit rate relief. Until that award is made, however, we cannot passport them into housing benefit. Therefore we need to know whether they have been successful.

Similarly, many people who are on jobseeker's allowance or employment and support allowance will be passported through into housing benefit. I do not want to get too technical, but if they are on, for example, contribution-based JSA as opposed to income-based JSA, they may not be eligible, or they may not be eligible until their contribution-based JSA runs out and they move on to income-based JSA. It is about trying to strike a balance. You do not want to mislead people and tell them that they will get housing benefit, only for them not to be eligible and suddenly get a bill through the door. As Stephen said, we could look at that.

Mr Peover: It is a useful suggestion. We are keen to see it from the other end of the telescope. If people are having difficulties and are uncertain, we will see what we can do to try to resolve it.

The Chairperson: You talked about applying your resources evenly across the Department. Perhaps that is something that you could look at so that your employees who take the calls are aware of the type of passports or benefits that could make someone eligible.

Mr Peover: Increasingly, we take calls through NI Direct on that. That is another issue that we might want to think about in that context. Thank you, Chair; that is a useful suggestion.

Mr Copeland: Mr Peover, the report clearly indicates that, during the time in question, you corporately failed to adequately reduce the time taken to process the valuation of domestic alterations. I can understand where the report's authors are coming from. It takes 900 days or 2.6 years to process a domestic alteration, yet it takes only 90 days to build a house. That is a bit of a difference. I know that you would not, under any circumstances, seek to justify that. What I am asking you is what target you have set to reduce the time to conduct revaluations and alterations. Is that challenging enough, or was it set to be achieved?

Mr Peover: I think that the points that Alan made earlier are relevant. We have been reducing the time taken. It is still at an unacceptable level, but we have prioritised the other bits of the valuation work. They have been the higher priority for us as they are the higher-value ones. You asked what we would like to achieve with altered domestics. We do not have a specific target for that, but perhaps Alan would like to say something about it.

Mr Brontë: I know that we are dealing with two years ago, but, during this financial year, we set ourselves a target to reduce the number of altered domestic properties that we had at the start of the year by 70%. Today, we are well ahead of that.

Mr Copeland: Therefore you have a target.

Mr Brontë: Absolutely. That is a target in LPS. We had 16,700, let us say 17,000, cases outstanding at the start of this year. Today, even with all the properties that we have received, we are at just over 12,000. I hope that you would agree that considerable progress has been made.

I think that we are very close to a point at which we are in a steady state with domestic alterations. We will always have domestic properties coming in to be valued. We do not want to be in a position in which we are sending one person out to drive 30 miles to value one house. We are trying to deal with things in an efficient way. I said that the number was much higher than any of us would like. However, before I left the office I checked the figure and it is 12,300. That includes some 4,000 cases that we received this year.

Mr Copeland: I want to press you on that. Rates adjustments that arise from adjustments do not always increase. There are 180,000-odd people on disability living allowance in Northern Ireland, and, if adaptations are made to their homes, they are entitled to a rates decrease. Could there be a consequential case on the other side of the coin that some people are paying too much rates? The alterations to their homes entitle them to rates adjustments on the basis of their receipt of DLA.

Mr Brontë: If I understand the question, there are, perhaps, two sides to the coin. If someone carried out an alteration to a house, by law, we need to revise the rateable value or capital value assessment of that house. That is a standalone issue, and a rates bill is calculated on the basis of that capital value. If, as a result of the occupier's personal circumstances, there may be reliefs and exemptions from their bill, my colleague Patricia will deal with that. It is important that the rateable value be correct. That is a basic for every citizen.

Mr Copeland: Are there implications for that particular mechanism in the proposals in the Welfare Reform Bill? Disability living allowance will, in effect, disappear.

Mr Peover: Welfare reform is a big issue for us. We are not really a social security benefit provider, and we have worked very closely with the SSA in the existing system. What we have under welfare reform is a radically different system. The system that we have at the moment for housing benefit rates relief is going to have to be completely replaced and we are going to have to devise and operate a new system. That is a major challenge for us. We will not have the benefit of passporting as we have had up to now for many of our claimants. That is one of the challenges in the list of challenges that we will have to address. The existing system will run on for a while, but it cannot continue indefinitely. It will have to be replaced by a new policy, which we will have to operate.

Mr Copeland: There was a bit more to the first part of my question, but it was, more or less, covered by the answers to previous questions.

John's predecessor, Iain Greenaway, will probably have told him that, at one stage, I sent so many questions to Land and Property Services it was struggling to answer them. I did that for a very specific reason —

The Chairperson: Sorry, Michael. Could you speak up a bit for Hansard?

Mr Copeland: I did that for a very specific reason, as a member — I should have declared an interest — of Castlereagh Borough Council, and, particularly, of the rates estimate group. If I remember the figures correctly, the uncollected rates and those still owed were somewhere like £25 million, £48 million, £68 million, £96 million, £106 million, £148 million, and £168 million over the number of years. At the same time, the cost of collecting the rates went from about £6 million to £18 million. That

seemed to be a massive expenditure of public money to create a much larger debt than had existed before. I understand the difficulties, but understanding the difficulties and counting the losses are a balance that I have to make.

How does the cost to local councils for collecting rates for this year, or the last year you have figures for, compare to the previous year? Is it the case that LPS is costing more and more? All we seem to get from that is a rising debt and difficulty in getting estimated penny products (EPPs) and the information that we need. It got so bad in Castlereagh that, at one stage, we actually almost broke our primary legal obligations — the Wednesbury principles — as we were not in possession of all the financial facts to enable us to make a decision.

Mr Peover: On that last point, I said earlier — I think, in response to Mr Girvan — that we have highly prioritised the improvement of our relations with the councils and the engagement with council financial officers, to ensure that people are not unsighted or get shocks from the process of the estimated penny product and the actual penny product. A great deal of work has gone into that.

The cost of collection for the past three years that I have data for has been broadly the same, at £17.6 million, £17.8 million and £17.8 million. Our average cost of collection is about the same as a council in Great Britain. We think that we have held the cost of collection relatively stable for the past few years. We benchmark against GB.

Mr Copeland: It went from about £6 million-odd in the last years of the former Rates Collection Agency. That is quite a jump.

Mr Peover: It depends; you have to divide it in two. The bit that goes to the district councils is between £7.6 million and £7.9 million. That £17 million is the total cost of collection of the regional rate and the additional output.

Mr Copeland: I understand that. Finally, how do you check that you are operating efficiently? Councils, more than any Department that I am aware of, are best-value driven. In other words, they have to go to the doors and explain what the rates are to the ratepayers in a way in which, with respect, the Department of Finance does not. We get it in the ear if the services that we provide are not mirrored by the level of expense that we burden ratepayers with. Sometimes, it seems that councils do things more efficiently and less expensively. I have a colleague on Castlereagh Borough Council, a former chief executive, whose first job was rates collector for Ards Borough Council. One person in an A35 van. I know that it was not as complex then. I am just wondering whether we have made it that complex.

Mr Peover: All that I can point to is that, comparatively speaking, we spend about the same money per occupied property as GB authorities do. Therefore John and his colleagues engage with the Institute of Revenues Rating and Valuation in those terms.

Mr Copeland: Do they have equivalency with rates? I thought that they had council tax.

Mr Peover: They have council tax, but they have to collect it in the same way that we do, so they have processes and staff to collect council tax. Their cost of collection is about the same as ours in —

Mr Wilkinson: Can I just make a couple of comments in response to your question? The first thing that I would like to say is that, over the past five years, we have substantially increased the amount of money that is collected. That has gone up year on year by more than the rate of percentage increase to the rate.

The other response that I would like to make is that, with regard to how we know that we are efficient, one thing that we have been doing in LPS is to work through a process of business improvement. We started that work in revenues and benefits. We have done a lot of work to re-engineer the business from end to end. At present, we are working on a valuation review. We have been looking at processes and improving efficiency. We have also been rewriting various manuals and guidance notes to staff. We have trained to improve efficiency. We have had staff training and development. We have done things like try to improve communications. For example, in Patricia's area of the business, we have a little staff magazine called 'Quality Matters', in which we try to get out the messages on how we are improving and what we are doing to drive efficiency. Therefore, we are

quite focused on that. We are conscious of the fact that we charge councils for collection. We seek to drive efficiencies continuously.

Mr Peover: To take the point at a more general level with regard to how we know that we are efficient, I am not sure that there is an easy answer to that question. As you know, all Northern Ireland Departments have been subject to efficiency requirements, probably over the past 10 years — for as long as I can remember. We have to make year-on-year savings in our departmental budgets. When my departmental board sits down to look at budget issues, all my directors have efficiency savings applied to their programmes and they have to meet them. We just take them from their budgets, so they are, effectively, enforced. Therefore, if you ask me whether I can prove in absolute terms that we are an efficient operation, the answer is that I probably cannot. The Department is very diverse; it is a different sort of Department that has a whole range of functions that are very different from one another. However, where we have benchmarks, as with LPS, we can hold our heads up reasonably high in comparison with GB authorities, which are councils. They are like the organisations that you described. They are out there facing their constituents day in, day out, with the pressure to keep their operations effective. So, in that sense, I am reasonably comfortable that LPS, as a collection authority, is an efficient organisation in national terms.

Mr Copeland: Efficient or becoming efficient?

Mr Peover: Well, over a number of years, it has managed to keep its cost of collection at about GB levels. That is against a context in which GB has had a very stable system of council tax for a long time. We have had a number of significant policy changes that have made life difficult for us.

Mr Copeland: What accounted for the seeming peak in the graph from the end of the Rates Collection Agency, when LPS began? Was it additional work, extra investment or more people? What caused it?

Mr Peover: I would need to look at the history of it. I think that it was partly due to the influence of a number of rating reforms that changed the system significantly. I suspect that LPS as a whole is operating in a more difficult environment now than the RCA was in its heyday, when the economy was rather stronger. We are having to put a lot of resources into collecting rates money now, which you would not expect to have to do if the economy was flourishing.

Mr Copeland: With the Chair's permission, I would like to get a written response to that.

The Chairperson: OK.

Mr Clarke: Following on from my question about properties, can we look back at the letter that you wrote to the Committee? I think it was your letter; the one that you wrote to the Committee Clerk on 14 June. There is an appendix in it. In 2008, there were 8,644 new properties and 37,528 altered properties. Can you give us an idea of how long it took you to process those applications per day in 2008, and the up-to-date figure for 2012? I am usually critical of most government Departments, because you like to pat yourselves on the back, but some of the change in the numbers that you are working with now is obviously driven more by the downturn than by the great work that LPS has been doing. What I am trying to get my head around is how many days it took to process the 2008 figure as opposed to the figure for 2012. While I am on that, I was told that the revaluation of properties took approximately 500 days, but the report, unless I am reading it wrong, says that, in terms of the new properties and backlog properties — I presume that the backlog properties are the alterations — at that stage it took 813 to 949 days. I am sure that you were not trying to put me wrong by suggesting 500, but we should clear that up.

Mr Peover: The 813 was the figure at the end of 2009, and in 2010 it was 762. The figure that the Audit Office recorded in the report was the July figure.

Mr Clarke: That was July 2011?

Mr Peover: Yes.

Mr Clarke: The 949?

Mr Peover: The figure at the end of 2011 was 906, and in 2012 we reckon it will be 770.

Mr Brontë: There is a range of figures there. I will complete the story on the altered domestic properties.

Mr Clarke: Sorry, just before you complete the story, it is difficult for us, given that we have a report that the Audit Office compiled, and I thought we were talking to the report as opposed to the new revised figures. What I want to be critical of is that we are talking about 949 and not what I was led to believe earlier, which was 500.

Mr Peover: The figures that we normally operate on are annual figures, as at the end of whatever year it happens to be. The Audit Office quoted that figure but it also quoted the figure for the end of July, and I think one for October. The way the rating year operates is that people get their bills in April and, if they think they are being asked for more than they should, they come in and make applications or query it. There is always a period at the start of the year when workflows will increase because there are people querying what has happened. We think it is much better to look at an annual cycle and look at the end of each rating year, because then you are comparing the same date each time. At the end of 2009 the figure was 813, at the end of 2010 it was 762, and at the end of 2011 it was 906. Those are the figures that —

Mr Clarke: So it has actually got worse?

Mr Peover: Yes.

Mr Clarke: But you were patting yourself on the back earlier when you suggested 500.

Mr Brontë: I will pick it up there. The report looks at the end of the 2009-2010 year and the 2010-11 year. As the permanent secretary said, in the text of the report, the Audit Office has also given the figures for July 2010 and July 2011. Those figures show 762 days at the end of 2010. It rises to 813 in July 2010 and then rises again to 906 at the end of 2011. There is a further figure of 949 at 2011, but that figure of 949 is now at — I said 500, but it is actually at 461 days.

Mr Clarke: That is your argument at the moment, but if we go back to —

Mr Brontë: No, it is the fact of the argument.

Mr Clarke: It might be the fact, but it suits your argument because you are picking that point of time in the year. Can we go back to the end of each of the financial years that you are referring to and stick with the figures for those? Can we have the figure at the end of 2009-2010 again?

Mr Brontë: In March 2009 it was 813, in March 2010 it was 762 and in March 2011 it was 906. I am saying to you that —

Mr Clarke: I was good at maths. I am not asking about now. I am asking about the end of each financial year, because that is the argument you wanted to present a few moments ago. We have gone from 813 days to 762 days. It actually got worse because we are now at 906 days. We cannot talk about where we are now because we do not know where we will be until the end of this financial year.

Mr Brontë: I assumed that the Committee would want to understand that because we recognised that it was a serious issue. We have prioritised altered domestic properties as we have looked at other properties. At the end, if you want a figure for March 2012, it is 770, which shows the start of the decline.

Mr Peover: If we leave those out, Mr Clarke, you are right. The figures that you have quoted are right. I am content to accept those figures. We can work off those figures. In a sense, it suits us to work off a consistent set of figures, rather than to have different figures. You are right to point to the fact that they have increased. What I would say is that the other areas of work that we talked about, such as new properties, applications to the —

Mr Clarke: But they increased in a decreasing market, which makes it more alarming in my mind.

Mr Peover: But the others have reduced. What Alan said is now the case: we prioritised the area of work where we had not been making any progress. We are now making progress in it. I am not disputing the point that you are making.

Mr Brontë: As I said to you earlier — and you also mentioned new properties in the first part of your question — the average age of new properties has also fallen. There is an enormous amount of extra work. Although you might say that the economy is decreasing and people are not building houses, there are a lot of properties out there that are partially complete. The rating of empty homes has put a burden on LPS to check out whether those houses are at a stage where, within three months, they could actually be put on the valuation list. We go through the building notice process. So, although, at any one point in time, we may actually have very few houses that are at a state at which they could go onto the valuation list, there are many properties about which we will have to try to get information from building control to ensure that we can value them at a point in time under the new legislation.

At the same time as we have been tackling new and altered properties, we have brought down considerably the time taken to deal with applications and appeals, because we believe that that is important for customer service reasons. We believe that it is important that, when there are difficulties with hardship, we deal with people's rating applications in a timely way. Again, the figures prove that.

Mr Clarke: The bit that I cannot get my head round is that, in 2008, you had a total of 50,000 properties for valuation, which went down to almost 23,000 in 2012, but the length of time that it has taken you to get those valuations done has not really improved. So, you are working on almost half the workload, but the timescale is still as long. Surely, that suggests that somebody is not working hard enough.

Mr Brontë: What we are looking at here are the cases that are outstanding at any point in time. Over the period of five years, we have completed some 185,000 domestic cases. So, we are looking at what is outstanding at any one point in time. We can look at the figures that we complete. Certainly, earlier, John Wilkinson provided information about the 10,000 cases that we needed to do before the introduction of rating of empty homes. We have dealt with 6,500 appeals because of the rating of empty homes. Those are figures that have been introduced that were not previously in our workload.

Mr Clarke: Chairperson, it would be useful if we could get information forwarded to us on all the figures from 2008 to 2012 and on everything that has been completed.

Mr Peover: We will certainly do that, Chair.

Mr Girvan: I refer back to the same letter, which states that there are almost 23,000 domestic cases outstanding. How do we know how accurate that figure is and how complete it is? Could there be other newbuilds or alterations about which you have not been notified? I appreciate that that is a somewhat crystal-ball question, but I would like to know. What other tools would you like to have to actually try to address that right away and deal with the figure of 23,000, if you can see exactly where I am coming from, Mr Peover?

Mr Peover: We are reasonably confident in the figures. There may be some issues, but hopefully they would be very few. I am not sure that we need any further tools to deal with the backlog. As Alan said to Mr Clarke, we are trying to bring that down further. It has now become an area of priority for us, because we have managed to get the other areas of backlog down to levels that are relatively low, certainly, in historical terms. So, we can afford to devote some resources to this. I do not feel any great sense of unease about the figure of 22,791.

Mr Girvan: I appreciate that, but it just leads me back to another point. Are a lot of those issues related to finalisation certificates from building control just being brought forward to you to end up on the list? Are you very much reliant on that mechanism as the sole reason for it? I wonder whether you have ever thought of going down the following route. Say, for argument's sake, that you register with Customs and Excise in order to claim back the VAT paid on a newbuild. The VAT can be claimed back, and has been claimed back on many buildings. It could be years before building control issues a finalisation certificate on that building, simply because the person who built it does not wish it to end up on a rating list, so they hold back on putting it in for building control. Yet, you might find that they have claimed VAT back on the building, without even having submitted a finalisation building control certificate, which should be one of the criteria for claiming back VAT. Unfortunately, it does not appear to be always required.

Mr Peover: I will let my colleagues deal with that.

Mr Brontë: I am very interested in what you are saying. We put a lot of effort into trying to make sure that we value every new property. I could not sit here and say that we have found every new property in Northern Ireland — of course I could not. There will always be properties that, in some way, are over the top of the hill and have been missed.

Mr Girvan: It is not the ones that have been missed. It is the ones that have been wilfully held back.

Mr Brontë: What I am saying is that, from our point of view, we have not yet put those buildings on the valuation list. When we do put them on the valuation list, we can backdate a new property to 1 April 2007. We work very closely with colleagues in building control. We do not wait until there is a finalisation of the building control certificate because, in many cases, people will have occupied the property long before that finalisation. We work with building control to start when a commencement certificate comes to building control. We immediately put that property into our system and, as it were, electronically date it to bring it back at a time when we believe that that house will be ready to value. If the property is finished, it will go onto the valuation list.

As I say, there is this further complication of properties that can be put onto the list if they are vacant and not yet complete but are windproof and waterproof. We can serve a completion notice on the owner, and that property can go into the valuation list some three months before it could be completed. Otherwise, people would avoid the rating of empty homes. However, there is a developers' exclusion at the minute, and people do not actually pay even though we get that property into the list.

So, yes, we work very closely with building control, and I have to say that work with building control is the primary source of notification. People also make applications to the district valuer to say that they have built a new house and they would like it valued, because most people, I find, are honest. Most people do not want to be faced with backdated bills. So we have personal applications from people saying that they have built a house, it is ready and they want to pay rates on it, and we will go out and value that house.

We can also use, for example, the Pointer address process. In my directorate, we work closely with councils on that. When a council decides the address of the property, we match addresses. So, if a new address is created within Pointer, it is matched across to the valuation system and again to the collection system. In that way, if a new address has been created for which we have nothing in the valuation list, that, too, will help us to raise the case. So, by a variety of different means, we can obtain information that a new property exists and get to it.

We also have the process of aerial photography that John described earlier, and we have looked at that. So, in areas where we are remapping, we will find information that will become available to us, and the valuation list will be revised by a number of various processes. The Rates Order places Departments under a statutory obligation to revise the evaluation list when something comes to their attention that means that it should be revised. In fact, it is under that statute that Building Control informs us of the process.

So, no, I do not think that we have got every new property, and, yes, I am sure that some people try to avoid having their properties valued. However, on the whole, I think that we must be very close to getting most properties valued.

Mr Girvan: Do service providers, such as utilities, and the electoral register also feed in information? Are all those tools being used or are some not? I appreciate that people can have their electricity provided by different suppliers, such as Airtricity or Power NI.

Mr Wilkinson: One of the things that we have been doing is to move away from pure physical inspections to look at the myriad other resources that we can use within and without LPS. We have set up a central team to focus that activity. That is the sort of work that is driving collection levels by making sure that we get the correct dates of occupation. The electoral register, through the national fraud initiative (NFI), is an example, as is using the aerial photography unit that we have in LPS.

Another point that I will mention is that we have a lot of dedicated and motivated staff. Some months ago, there was an instance in an office where staff had been out to do a valuation of one property but

checked, while out and about, and picked up another that was not on the list. So that is another source of intelligence and information by which we add properties to the list.

The Chairperson: Going back to Mr Girvan's original question; LPS depends on the goodwill, honesty and integrity of the public coming forward with information, but that is not always the case.

Mr Peover: The vast majority of people are honest and want to pay their bills rather than face backdated ones, but there are always people who will not want to.

Mr Anderson: Thank you for your presentation so far. To pick up on Mr Girvan's point; it never ceases to amaze me that we have so much information now about where people live and what they do and do not do. I am amazed that LPS has not tapped into that resource as much as it would wish to. It may be that it could not do so. I can go back to 2008; was that when you came onto the whole scene?

Mr Wilkinson: It seems like yesterday.

Mr Anderson: I am a councillor in Craigavon, and I think that you came to meet us at that time. The council did great work at the time to identify people who were living in properties but not paying rates. I do not know if you used that resource to the full, because shortly after that you moved out of that scenario again. Do you still use that resource — the council and its staff — to full effect?

Mr Peover: We have used a variety of resources over the years. We had an arrangement with councils, where we paid them —

Mr Anderson: Something like £7 a house; it was not a lot of money, but it was good value, was it not?

Mr Peover: It was, and they sent back something like 61,000 returns in total. Through that process, we identified some properties that were obviously vacant and some that were obviously occupied. We had to work through other information to find the details of the occupier so that we could bill somebody. To pick up on John's point about inspections; we used to do a lot of inspections, but they often do not tell you who is the liable ratepayer, even though we may know that a place is occupied rather than unoccupied. To go back to your point about data sources; we use lots of data sources. We use utilities, telecommunications people, building control, the electoral register, and we can serve notices on providers to give us information about when someone occupied a property.

So, we are tapping into those sources of information. As I said earlier, we are also working with councils on the non-domestic side, where we have 14 councils actively working with us and another six coming on board. That partnership helps us to confirm that a property is vacant, and, in cases of doubt, it can give us information that we can work on to try to bill somebody.

Mr Anderson: Why are there only 14? I keep coming back to the good work that the councils did way back in 2008. Where is the discrepancy?

Mr Peover: There were 25 in the past, but there are now 14. We are about to get up to 20.

Mr Anderson: Is there work to be done there? Are some councils reluctant?

Mr Wilkinson: No. I will pick up on that point. I remember the afternoon that I spent in Craigavon.

Mr Anderson: I am sure that you do; it was a fairly robust discussion.

Mr Wilkinson: It was. I have had a few of them over the years. It was not the only one.

I will expand on the points that Mr Peover made. In that year, we did a very successful exercise with, I think, 25 of the 26 councils, and about 61,000 properties were inspected. To go back to the point I made in response to Mr Girvan's earlier question, even after 61,000 physical inspections, there was a lot more work to do with about 17,000 of the cases. That exercise told us about the importance of the partnership with councils, and, shortly after that, we set up a strategic steering group to work with

councils on a number of things, such as penny product issues and the financial side, and we also set up a property services liaison group. Over the years, we have been building on that work and looking at the most efficient ways of doing things. It is not always about physical inspections and looking at all the sources of data and information. That work has continued, and there was an exercise the following year. At the moment, we are building that capacity, but we are trying to do so in bite-sized chunks.

Mr Anderson: John, we are four years on.

Mr Wilkinson: Other things have happened in the meantime, and when councils are working with us, there is an expectation that we will return the results of the work that we have done. We are building the capacity in stages and doing a lot of other work with data. For example, we have established relationships with estate agents across Northern Ireland and are collecting information. We have to be careful of data protection issues. So, there is information that we can use and other information that is protected. However, we have moved the work on a lot, and we are rolling that out at the moment.

Mr Anderson: When councils got involved in 2008, a lot of properties landed on your desk. Could I suggest that the LPS maybe could not cope with getting bills out at that stage because of the number of properties? It came to my attention at that time that it took up to a year, or maybe even two years, for some people to get a domestic bill. In one case, a person had to take a personal bank loan to pay the rate bill because it was backdated so many years. Could it have been the case that the resource was not there in your Department?

Mr Peover: A number of cases required further work, a lot of further work in some cases, and that probably delayed the issuing of bills. The only point I would make — maybe this is a point that I should not make — is that people need to tell us when somebody occupies their property or there is a change.

Mr Anderson: In all fairness, Stephen, I know a lot of people who did inform you and who asked to get the rate bill sent out, and it took over a year or maybe longer. Even when they asked LPS to send a bill out, it was not forthcoming. What was the problem? Was it a resource problem?

Mr Peover: It may have been. I would need to look at individual cases. When we pick up large numbers — thousands of people in an exercise of that type — who have not notified us of their —

Mr Anderson: The councils maybe came in with an avalanche. They landed in with a lot of properties and said, "We are lifting the bin there and people are living there."

Mr Peover: They returned 61,000 cases, which was a lot to handle. Some were obviously vacant, and we write those off immediately. In some cases, we had information on the occupier and we could bill them, but, in other cases, we did not.

Mr Anderson: We indicated that there was a big job of work.

Mr Peover: There was a big job of work, yes.

Mr Anderson: That was in 2008, and we are now four years on. Have we caught up or are we still in that position?

Mr Wilkinson: No, we have caught up on that. Indeed, as part of the agreement with the councils, when they are providing us with information as to —

Mr Anderson: Fourteen of the councils.

Mr Wilkinson: Soon to be 20. We have agreed with them — I think it is within a month or two — to provide feedback and information on what has happened in the billing process. We have moved things on. Yes, in 2008 and 2009 there were something like 72,000 inspections and 61,000 inspection sheets coming back to us, of which 14,000 resulted in bills and 21,000 were confirmed as vacant. There was a lot of other work to do, so there may have been occasions when we did not get the bills out as quickly as we would have liked, but we have moved on from there and are responding more quickly to the information that we are given.

Mr Anderson: Let us just quickly finish off. You said that there are 14 councils now and that you hope there will be 20. How are we going to get to the 26? What is the problem in getting all of the local authorities on board? Is there a problem with those councils?

Ms McAuley: We are engaging with all councils to seek their agreement to work with us. We have learned lessons from previous inspection exercises with councils, and we have put a system in place whereby we send out a list or bundle of properties to the councils that are currently working with us and the six that have now agreed to work with us. They do the inspection, and we agree to come back to them within six weeks to let them know what we are actually doing with the information that they have given to us.

Mr Anderson: Do you pay them to do that?

Ms McAuley: No.

Mr Anderson: Would that be a problem? Might that be why there is a reluctance? Previously it was £7 a property; now it is nothing.

Ms McAuley: There are a number of —

Mr Anderson: Why do you not propose to give them something to do that work?

Ms McAuley: One of the issues that arose with the payment in the previous exercise is that there is then a cost to Land and Property Services if we pay them that money. What then happens is that that goes into the cost of collection, and the district councils end up paying 45% of that money back to us. That is one of the issues that arose in 2008-09, when we were paying for that information. Council finance officers are very keen on this approach and the majority of councils have now agreed it. The bottom line is that councils will gain from it. It is a win-win situation both for us in LPS and for the councils, because if they, for example, go out and identify that —

Mr Anderson: If it is a gain and a win-win for everyone, why are the 26 councils not on board?

Ms McAuley: To pick up on the point you made earlier; the other lesson that we learned was that, when we get 60,000 returns back within a short period, it takes an awful long time to go through them. This time we have staggered the councils joining the inspection. We want to make sure that, when the information comes back from them, we can actually cope with it; in other words, that it is not going to sit somewhere.

Mr Anderson: We have now established that, previously, you could not really cope with it.

Ms McAuley: What happened previously was that it took longer to get the bills out than we would have liked.

Mr Anderson: Could you cope with it previously? You are more or less saying that you could not.

Ms McAuley: It took longer than we would have liked because we got a bundle in altogether.

Mr Anderson: That is like a political answer. Let us say that you could not cope with it previously. I accept that.

Ms McAuley: I do not think that anybody could cope with 60,000 pieces of paper landing on their desk in a short period of time.

Mr Anderson: So you could not cope with it?

Ms McAuley: Not in a short period of time, no. I think you got there eventually. *[Laughter.]*

Mr Anderson: I think I did. I think I am getting to the bottom line here, which is to get the councils on board. We could talk a lot about it, and I do appreciate the answers, but I think that councils played a

big part in getting there eventually given the number of properties that needed rated and were not rated.

Ms McAuley: Yes, absolutely.

Mr Anderson: It will be interesting to see, but I am happy enough to leave that at the moment.

The Chairperson: It is important to note the good work that the councils that are involved do with LPS. On that, I will throw the boundary changes into the mix. Will councils continue to exercise these functions when the review of public administration (RPA) is implemented? If so, are you prepared for that, and will there be any changes or differences?

Mr Peover: I would like to think so. The same functional relationship will continue between us and councils, whether there are 26 of them or any other number. We will want to work with councils, and we have established good working relationships with them, which will need to be deepened and made closer over the next few years because we will have to work with them as they manage the transition from the current number to the new structures. We are involved with our colleagues in DOE in the planning process for all of that. We will have to work with councils in the transition year to ensure that we get the calculation of rate income and get information to councils in time so that they are not, as Mr Copeland said, left at the time of setting the rates without the information that they need to establish the rates for the new council authorities. That relationship is vital for us, and we do not see RPA disrupting the working relationship between LPS and councils. It will just change who it is we are working with.

The Chairperson: That is good to hear.

Mr Clarke: I am still a bit intrigued about where Sydney was going. We are part of a devolved institution in Northern Ireland, and we all welcome that. There are Ministers in the Executive who should have an interest in this, and, as Patricia said, local government is a beneficiary. The reward for local government should be higher, and it should be mandatory that the 26 councils are in the programme. I can appreciate, reluctantly, why it would be difficult to deal with 61,000 applications at one time, but if we are getting more than 61,000 applications and all the councils are involved, we are not losing opportunities for revenue to come to Northern Ireland, as opposed to always playing catch-up. I have a problem with catch-up. Stephen, you said in earlier answers that you sometimes have difficulty in finding these properties, and there all sorts of excuses that you can hide behind around that. I do not mean that in the way that it has come out, but there would be no excuse if councils were being rewarded for doing a particular job. You cannot do it, and they are equipped to do it, given that they are involved with the assessments to do with building control certificates and the likes of that. I take Patricia's point about taking 45% of £7, but that would be better than giving them nothing. Give them slightly more. Bring the money in. That is the important aspect here. From your point of view, Stephen, if you know year on year what the councils are bringing in, you know where to target resources. If you are under-resourced, look at the extra revenue that you are bringing into the coffers. I think that we are hiding behind excuses. I do not mean to be rude, but that is what it is. As it turned out, you could not cope, but we are in an institution now where all the Departments should be working together, and there should be benefit for everyone involved. The councils should be getting rewarded for doing it, and we would get more money back into the purse. Stephen, that is something that you should be looking at bringing forward.

Mr Peover: It is a point that is worth considering. The situation has changed a bit now because, with the rating of empty homes, we are in a different position than we were in back in 2008-09. We are still working with councils. It is an important relationship, and I am happy to look at any option that might improve that relationship and bring councils more on board. I appreciate that it is in both our interests. It is in our interests at a regional level and in the interests of councils at a district level to get as much revenue as possible for public services.

The Chairperson: It is in the interests of everyone.

Mr McKay: How much revenue has been generated through the rating of empty homes?

Ms McAuley: We generated, I think, between £24 million and £25 million.

Mr McKay: How many empty homes are there in total?

Mr Peover: We started off with 50,000 or so.

Ms McAuley: Currently, there are 35,000-odd domestic properties that are vacant. The majority of those will be rateable.

Mr McKay: Did you not say there were 50,000?

Mr Peover: We started with 50,000, but some of those were taken out because they turned out to be non-occupiable.

Mr McKay: So, there are 35,000 domestic homes. How many qualify for the rating?

Ms McAuley: In October 2011, we issued about 26,500 bills for properties that qualified for rates because they were empty.

Mr Peover: Others required further work.

Mr McKay: How many exemptions were there?

Ms McAuley: There are exclusions for developers. They get 18 months if their property was on the list before 1 April and 12 months if the property went onto the list after that. In addition, any property with a capital value of less than £20,000 is excluded. There are also a number of application-based exclusions that apply in cases where a property is held by personal representatives of the deceased or where occupation is prohibited by an environmental health order or something like that. So, there are not that many of them. We are talking about 2,000 to 3,000.

Mr Peover: We will give you a table that shows the numbers in the various categories.

Mr McKay: Does that mean that there are 26,500 that qualify, a couple of thousand exemptions and a gap of 6,000 to 7,000?

Ms McAuley: At the end of March 2012, there were approximately 11,000 properties for which we did not have any owner information. So, we have been working to try to obtain that information so that we can issue the bills to those properties.

Mr McKay: There were 11,000 in March. How many are there now?

Ms McAuley: Just under 10,000, but you need to understand that that figure does not necessarily represent the same 10,000 properties. In the interim, we have had about 3,000 properties where, for example, someone has moved out. We may know that Mr X has moved out of a property, but we need to find out who moved in or who owns the property so that we can issue a bill for that vacant period. So, it is a constant churn when it comes to the number of properties that we will be trying to seek ownership or occupation details for.

Mr McKay: You are talking about 30% of all empty homes, which is a big loss in revenue.

Ms McAuley: The assessment is generated, and, if the amount owed is not paid, it is only down the line that that impacts. We cannot collect money unless we know from whom we need to collect it. That is one of the issues that we have been working on with all the various organisations that Steven and John mentioned to try to trace ownership or occupation. We also have a contract with a tracing services company, which can, for example, look at whether there have been any credit card dealings at an address, whether any benefit applications have been made, whether there are any loans outstanding or whether there is a mortgage. There are all sorts of pieces of information that that company can access, and it will come back and give us an assessment of how likely it is that the property is occupied and who it thinks is occupying it. We then take that forward and try to build a picture of the individual.

Mr McKay: When do you foresee significant progress on this?

Ms McAuley: We would hope that, during the course of this year, we will reduce the number of properties that we do not have details on to about 1% of the total number of domestic properties, bearing in mind that properties are changing hands all the time, even in the current climate.

To go back to the rating of empty homes exclusions; from 1 October 2011 to 30 September 2012, we received 3,185 applications for exemption from the rating of empty homes. We have awarded exemption to 2,618 homes, at a total cost of £1.2 million. In addition, we have just under £6.5 million developer exclusions.

Mr Peover: I should say that some of those properties will be quite difficult to track down. They may have been unoccupied for a long time and there may be no utility provision — no electricity, gas or water. There may be no record of who owns the property. It may have been owned by somebody who died 15 to 20 years ago and may have passed into the family, but it has never been re-registered in Land Registry and so on. In most cases, the normal sources will get us to the point of identifying the liable ratepayer but, in some cases, it will be very difficult.

Mr McKay: The vacancy relief figures for the 2010-11 accounts show an increase from £67 million in 2009-2010 to £75 million in 2010-11. Given the amount of work that was undertaken to identify properties that were not vacant and to issue bills for those properties, would we not have expected that figure to decrease rather than increase?

Mr Peover: Sorry, which paragraph is that?

Mr McKay: I just have the figure in front of me from the 2010-11 accounts.

Mr Peover: It depends. In looking at vacant property, whether it is domestic or non-domestic, we are trying to find out whether there is a liability. The better your information, the more likely it is that you will find out that someone is entitled to an exemption. It may have been in the system, and we are now discovering that there is a real entitlement, so the exclusions could go up in that situation. I will look at the figures and come back to you on that.

Ms McAuley: Since 1 October 2011, the issue of a vacant domestic property does not really exist anymore because the property will be liable for rates unless it meets the conditions for one of the exclusions. The issue now is this: who owns the property and to whom can we send the bill?

Mr Wilkinson: With the continuing state of the economy and the recession, and, as Patricia mentioned, the record number of bankruptcies, we are finding that we are running hard to stand still. More properties are being vacated. Over recent months, we have seen reports in the press about the number of empty shops and so on. That is probably another factor in this, but we will provide you with more detailed information.

Mr McKay: Regardless of the explanation that you are giving, why was there no explanation for those variances in your accounts?

Mr Peover: I suppose we assume that, if those exemptions are given, they are valid. They are given a set of criteria, and I have no reason to believe that they are not appropriate. What you are asking for, in a sense, is the reason why it happened, and we need to have a look at the reason to see whether we can find any categorisation of those various properties to explain which ones went up and which ones went down. We will have a look at that, but the assumption has to be that they are valid.

Mr McKay: From the accounts, I can see that rate reliefs and other discharges increased from £19 million to £29 million, again from 2009-2010 to 2010-11. What was the level of those reliefs for the past year, 2011-12?

Mr Peover: Sorry, I missed the start of that question.

Mr McKay: The rate reliefs and other discharges have increased from £19 million to £29 million over the two years.

Mr Peover: Are you asking for the current level?

Mr McKay: Yes.

Mr Wilkinson: I do not have that figure.

The Chairperson: Maybe you could write to the Committee giving the figure.

Ms McAuley: Yes.

Mr McKay: What controls have you in place to ensure that the safeguards around the reliefs are not abused? How would you know if a family moved into a property where the ratepayer was in receipt of a lone pensioner allowance? How would you guard against that?

Ms McAuley: Interestingly, that is one of the issues that we have recently talked to the Northern Ireland Audit Office about in the context of the next national fraud initiative exercise, which is due to take place next year. Because the issue of whether a domestic property is occupied or vacant is no longer relevant, the matches that we have done previously through the NFI for those types of properties are not really going to produce an awful lot when it comes to finding properties that are not paying rates but should be. We have been talking to the Audit Office about looking at particular types of relief, like the lone pensioner relief, to see whether there are any data matches that we can do through the NFI exercise to identify exactly the sort of thing that you are talking about, which is where we may be paying a relief to somebody who is a lone pensioner or is supposed to be a lone pensioner and somebody else is living in the house. I hope that the NFI exercise will help us to identify where that might be happening.

Mr McKay: Could you also provide us with a breakdown of the value of each of the various types of reliefs? That information was not provided in the accounts.

Ms McAuley: You mean like the reliefs for lone pensioners, disabled persons, and so on?

Mr McKay: Yes.

Ms McAuley: That is no problem.

Mr Girvan: My question is about the Housing Executive and housing associations. It goes back to the very first question about vacant properties. I understand that the Housing Executive sometimes uses Sitex screens to board up properties that are not condemned and that do not have an environmental statement against them. They could be occupied, but, for one reason or another, they are not. Those properties are sitting there. It may be that, because there has been trouble in a certain area, it has just closed them up. How does it deal with the rates on those properties? I would like some clarification of that issue. I could take you into probably four areas in my constituency and show you blocks of houses that have absolutely nothing wrong with them. Their windows are intact, the doors are on them, the heating is working and everything, but they are boarded up with Sitex screens simply because there is a problem in the area and the Housing Executive probably wants to demolish them ultimately, but they have not been condemned or anything. From October of last year, have the housing associations and the Housing Executive paid rates at the half rate on those properties?

Ms McAuley: If the property is on the valuation list, they should be paying rates. The Housing Executive collects the rates for its tenants. If the property is on the list, they should be paying rates.

Mr Girvan: But there is no tenant in them, so you are not collecting rates from a tenant, nor should there be a housing benefit claim against that property. What mechanism do you have to recover money from the Housing Executive where there is no tenant in the property for it to achieve the revenue stream to pay the rates? I can understand getting the rates for properties for which it receives rent or housing benefit, or using the housing benefit to pay the rates, but what mechanism do you have to recover money for properties that it owns that have no revenue stream?

Ms McAuley: Even before the rating of empty homes was introduced, if a Housing Executive property or an estate or whatever was on the valuation list, we calculated the amount that the Housing Executive owed in rates for all its properties, whether or not they were occupied. The Housing Executive paid that money to us. It is a bit like what we do with landlords. In the past, landlords could

enter into an agreement with us to pay rates for a property, regardless of whether or not it was occupied.

Mr Girvan: To get a reduction.

Ms McAuley: And they got a reduction to take account of the fact that, for periods, it might not have been occupied. It is a sort of similar position in relation to the Housing Executive; it pays for all the properties and gets a reduction. Currently, it does not matter if a property is vacant, but, in the past, it may have been vacant. It gathers up all that money for us and passes it to us.

Mr Girvan: As this is just new, I would like some information to be fed back to the Committee.

Ms McAuley: Yes, that is no problem, I will check that.

Mr Girvan: It is an accounting issue for the Housing Executive and yourselves.

Mr Peover: Yes. OK.

Mr Rogers: I apologise for having to step out to go to another meeting. I want to go back to the 26,000 vacant properties that received a rates bill. How many paid their rates?

Mr Peover: How many in total?

Mr Rogers: Out of the 26,000.

Ms McAuley: We do not have a figure for the number of properties.

The Chairperson: Perhaps we could get that in writing.

Mr Clarke: You may have answered Daithí's questions about the fraud initiative and about lone pensioners. I hope that that will not just be for lone pensioners. There are obviously people on benefits who are in receipt —

Ms McAuley: Oh yes; that will continue.

Mr Clarke: Will it come under the same initiative as the one for lone pensioners? I can imagine all sorts of ways in which you could do that for people who are receiving social security benefits. Are you working with them at the moment on benefits that are paid to households?

Ms McAuley: I am sorry; I should have explained that we looked at two separate things under the previous two national fraud initiative exercises. We looked at the normal ratepayer and at matches done on people who were claiming housing benefit. Those housing benefit matches will continue to be done in the same way as they have been done in the past. It is only in the case of domestic properties that we are looking at other types of matches that may produce more payments of outstanding rates.

Mr Anderson: I want to go back to the issue of establishing ownership. It has already been touched on. There has obviously been a decrease from 21,000 to 11,000 properties at the end of March. Do not be giving yourselves a pat on the back, because there are still 11,000 properties that we know of. Are there any other ways to work with agencies? What other help do you need to establish ownership? In the past, I have asked about ownership outside the jurisdiction of Northern Ireland. Over the years, quite a number of speculators and developers, call them what you wish, have moved into Northern Ireland and bought up houses and other properties and have then moved on and we do not know where they are. Is that an issue? How can we move forward on that, or are we caught in a trap?

Mr Peover: I am not aware of it being a particularly significant issue. It has certainly not been raised by LPS. We use all the mechanisms that we described earlier, including tracing services, so if we have a particularly recalcitrant problem with a property or set of properties, we will use tracing services to try to find evidence of ownership. We mentioned that we have a variety of different sources. We look at the land registry to see if we have that information. We use tracing services, the utilities and

councils. We use any source of information that we can get. We have some statutory powers under article 26 to require people to give us information. Just under 200 enquiries a month go to the electricity supply bodies, which are quite a good source of information about who is being billed and when the supply was established and so on. I cannot think offhand of many other sources that we could try. We are also working with the councils as part of that process.

Mr Anderson: Now that you have got the figure down from 21,000 to 11,000 properties, is it becoming more difficult? If you get it down to 10,000 or 8,000, will it become increasingly difficult, or will you come to the point at which you will never know who owns those properties? If that is the case — you mentioned powers under article 26 — would you say that you may need a change in the legislation to establish other ways to identify owners? Would you see that as a way forward? Maybe I am putting you in a bit of a spot.

Mr Peover: On your first point about the harder cases, the answer is yes. We are dealing with the ones we can reasonably deal with, and, as we go on, it will get harder. As I said to Mr McKay, some cases will be very difficult if there is no history of occupation or record of ownership, if the property was never transferred from Mr X to Mr Y or if it was passed down in the family after a death in the family and there was no follow-up registration. So, in some cases, it will be extremely difficult, maybe even impossible, to establish who is liable for the rates on that property.

I cannot think offhand of what sorts of changes we may want in the legislation to facilitate that. It is an intriguing point, and we will certainly think about whether there is anything more we could do within our armoury. It is not obvious to me what else we could do other than use the sources of information we are already using and collaborate with the main partners, such as councils.

Mr Anderson: Can there be a charge or something put against that property?

Mr Peover: That could be done. I am thinking of the analogy in the Republic, where, if you do not pay your household charge or your non-principal private residence payment, it goes up by a factor of interest. The property cannot be sold on without that debt being paid.

Mr Anderson: Is that something you would consider?

Mr Peover: Yes.

Ms McAuley: We can take cases through the Enforcement of Judgements Office. We can, for example, have an order charging land, so that, if the property is sold, the amount of the rates is taken out of whatever amount is received for the property. We need to know who the person is in order to do that.

Mr Anderson: Has anything like that been done up to now?

Ms McAuley: Yes, we have quite a few cases of orders charging land on properties at the Enforcement of Judgements Office.

Mr Anderson: You said quite a few. How many is that?

Ms McAuley: Since April 2011, we have had about 2,500 orders charging land.

Mr Wilkinson: There were about 1,500 last year, and there have been 1,000 so far this year.

Ms McAuley: But that will not help us with the —

Mr Anderson: They are greatly increasing, then, we could say. From 15,000 to 2,500 in a year; is that what you were saying?

Ms McAuley: No.

Mr Peover: We said 1,500 last year and 1,000 so far this year.

Mr Anderson: OK, thanks. Sorry.

Ms McAuley: But we can do that only when we have found the liable person and been able to take them through the court. The issue is trying to find who the person is in the first place.

Mr Anderson: The difficulty is establishing who the person is or who has ownership.

Ms McAuley: Yes.

Mr Anderson: I am keen to understand your system of identifying vacant properties since it came in last October. I know of cases where old buildings in the middle of fields out in rural areas are being rated. People are getting bills. I know there is a system, but it is causing a lot of pain and hardship. People are saying, "What do we do with this?" They come to elected Members with the bills. What system do you use to identify those old buildings? How to you arrive at a situation where you go out and set a rate on the three walls of a place that is ready to collapse or that has collapsed?

Ms McAuley: Alan may want to say something about this, but when rating of empty homes was introduced, we sought to bill any property on the valuation list. Some properties would have been on the valuation list for a very long time, and people may, for example, have built a new farmhouse. The old walls could be falling down and they may be using it as a barn or some sort of a store. There could be a tree growing out through the roof.

Mr Anderson: As rural dwellers do.

Ms McAuley: As rural dwellings are. However, there was never any pressure on anybody to have those properties removed from a valuation list because they were not paying a rate on them anyway. People probably forgot that they were on the valuation list at all. That is why, when we introduced the rating of empty homes, there was a flood of applications to the valuation side for people to go out and look at the properties and assess whether they were still habitable. Quite a high percentage of the properties that valuation colleagues looked at were not, in fact, habitable at that stage. However, we had to start somewhere, and we started with the properties that were on the valuation list. It was the best information we had at that time, and there is a system in place for people to apply to have the property removed.

Mr Anderson: Hopefully, you will have a pretty good updated list shortly.

Mr Clarke: There are two things, and I think Sydney let you off the hook on one of them. Can you give the Committee a report of the number of properties for which you cannot find the owner? That has been over the past four or five years. If we have not been doing something about that historically, we have missed an opportunity.

Mr Peover: It is only since October 2011, when the rating of empty homes came in, but we will certainly have a look at it.

Mr Clarke: Fair enough. I appreciate that it is difficult if you do not know who the owner is, but the property has to be registered with Land Registry.

Mr Brontë: Not necessarily.

Mr Clarke: I take your point, Alan. In terms of the number that you have, can we have a list of those that are registered and those that are not registered? We will then know whether you have done that piece of work on that, Alan.

Ms McAuley: We have gone through the Land Registry records, and, where we have been able to identify an owner, we have gone after people. As Stephen said earlier, in rural parts of Northern Ireland in particular, an awful lot of properties have been passed down through families, but not necessarily from father to son or father to daughter. They have gone to nephews or nieces, and they have gone from them to somebody else, and the registration could have been a very long time ago. Therefore, there is nothing up to date in the land registration.

Mr Peover: We can give you figures on the properties that we picked up.

Ms McAuley: Yes.

Mr Clarke: I have lost my train of thought. I will come back to the other question.

Mr Mitchel McLaughlin: I have a very quick supplementary question. We passed legislation recently in respect of dormant accounts. The process involves publishing a notice to give any persons with an interest the opportunity to register that. It seems to me that that might provide a solution. If the property is there, you may or may not succeed in identifying whoever the beneficial owner is; it would be a matter for decision. However, I would be concerned that there are people who have sufficiently covered their tracks and are just sitting it out. All sorts of things could kick in, such as a statute of limitations for rates debts. Is it not worth considering? Obviously, it can be done if the dormant accounts process can work.

Mr Peover: In the dormant accounts case, people are getting a benefit out of letting us know that they have accounts.

Mr Mitchel McLaughlin: It is the same thing.

Mr Peover: In this case, they are getting a penalty rather than a benefit.

Mr Mitchel McLaughlin: Sorry; let me just follow the logic of what I am saying. This is taking longer than I intended it to take. In a sense, you gather up the resource because no one has claimed it. I am assuming that there are genuinely people around who do not stake their claim.

Mr Peover: Do you want us to expropriate vacant property?

Mr Mitchel McLaughlin: If you can do it with dormant accounts, why not?

Mr Clarke: I agree.

Mr Peover: I will reflect that issue back to my Minister.

The Chairperson: That is a very valid point.

Mr Clarke: I like Mitchel's point. At the end of the day, if no one owns it and no one wants to put their hand up for it and there is a debt against it, and if somebody else legitimately has that and is paying their debt for that, why should the state not take it? If somebody does not own it, or they do not want to pay for it, we could see a day when that could be put on the market.

Mr Mitchel McLaughlin: You could mark it off your books.

Mr Peover: It is an interesting policy issue.

Mr Clarke: I like that one, Mitchel.

Mr McQuillan: Mr Peover, the level of debt has risen from £124 million in 2008 to £156 million in 2010-11. Your letter tells us that it has risen further to £160 million. What are you doing to stop that trend?

Mr Peover: I need to clarify slightly: the £160.8 million — I think that was the figure — includes the debt for the rating of empty homes, which only came into effect in October last year. The other figures relate to the other debt, not including that figure. In making a comparison across time, therefore, we need to exclude the rating of empty homes because it is a new policy initiative. In comparison with that time series, we are seeing a downward movement in the rate debt now. It has dropped over the past couple of years. You have to take, I think, £10.8 million off that £160 million —

Ms McAuley: It was £7 million.

Mr Peover: Sorry, take £7 million off the £160 million to get down to £153 million, which is the level of debt in the last financial year. We are doing quite a lot to tackle that. It is a difficult issue because of

the economic circumstances that we find ourselves in. People are under pressure and will prioritise what bills they pay. Also, as John said, there are increasing levels of vacancy in the retail sector, for example, because of businesses going out of operation, and we are seeing increasing numbers of bankruptcies and liquidations and people making all sorts of arrangements with us. When it comes to debt, our first step is to try and establish whose debt it is and issue the bill. We will try to come to an arrangement with an individual, as I described to the Chair at the start of this. There may be exemptions, and I am sorry that Mr Hussey was faced with a threat of court proceedings out of the blue —

Mr Clarke: It will harden him up.

Mr Peover: We want to avoid that. We want to engage with ratepayers before we get to the point of taking them to court. Ultimately, we will take them to court, and, as Patricia said, many people will settle when they get to that stage. They will push it as far as they can and then either settle in full or make an arrangement with us as we go to court. There are increasing numbers in court. I think I said earlier that about 40% of the debt in that total figure of £150 million goes through some form of court process at some stage, so there is about £60 million worth that is being processed through those arrangements. We have another £10 million or so in payment arrangements. A lot of people pay their rates through the direct debit systems. That comes in month by month, and we are trying to tackle the debt. We are also writing off debt. This is a bit of a worry for us because any billing authority— certainly GB billing authorities — would reckon on writing off around 1% to 1.5% of their debt on an annual basis. Historically, RCA and LPS in its early days did not write off debt at that sort of level. It has increased significantly over recent years. It has gone up. I think we wrote off £21.8 million in the last year. About half of that was through bankruptcies. When someone goes into bankruptcy, we are a creditor like anyone else, but we are not a preferential creditor. We may, in due course, get something out of the proceeds of the liquidation of the assets —

Mr McQuillan: Why is that?

Mr Peover: Why are we not a preferential creditor?

Mr McQuillan: Yes.

Mr Peover: The Cork Committee looked at debt a number of years ago, and the policy that the Government adopted at the time was that private businesses and individuals were more likely to suffer greater detriment from the liquidation or bankruptcy of a person or firm than government. To put it crudely, they thought, "It comes off a broad back". If you are a private individual and somebody owes you £3,000 and goes into liquidation, you are more likely to feel the pain of that than the Department of Finance and Personnel or HMRC or whatever.

Mr McQuillan: HMRC has as broad a back as —

Mr Peover: Yes, but the policy is that public bodies should not be preferential creditors and the first people to get money out of the system should be either employees, for example, in pensions schemes or individuals who are owed debts rather than government. You can take a different view on that, but that is the policy that has been adopted. When a firm goes bankrupt or an individual goes bankrupt, we may recover something in due course, but —

Mr McQuillan: Just on that point about bankruptcy and repossession, a lot of the financial institutions have repossessed property over the past number of years as well. Is any charge put on such property to reclaim some of the rates owed on it before it was repossessed? Also, do they pay rates on a property if they still hold it?

Mr Peover: Yes, they do. If a financial institution takes over a property that it has repossessed and that is capable of ownership — it is usually a domestic property — it is liable to pay rates on it.

Mr McQuillan: This year, £22 million was written off. What are we doing to get some of that back through charges on the property? I think Sydney touched on that as well. How much of that do you think you will get back in due course?

Mr Peover: We will not get any of that back in due course. Sorry, we may get a small amount through the bankruptcy bit. We only get to the point of writing off debt after following the guidelines set out in

the LPS guidance and those derived from the 'Managing Public Money' document. So we expect LPS to exhaust every avenue for recovery before a debt is written off. There are specific circumstances. I can send you a copy of the guidance, if you think that that would be helpful. Once we write a debt off, it will not be recovered, except in circumstances where we get some sort of payout from a bankruptcy. We are always reluctant to write debt off, but some becomes statute-barred, and sometimes there is just no way of tracing the individual. I mentioned earlier — with apologies to Mr Clarke — that sole traders move around and go in and out of business. People open a shop, and, if it does not do well, they close it down and move on. They are peculiarly difficult to trace in our system, because they do not leave a record. They may go into employment and not run a business anywhere else. So there are some categories of debt which, we think, have to be written off.

The number of bankruptcies is increasing, worryingly. The figures for bankruptcies and the losses through bankruptcy are increasingly worrying. Therefore, it is a struggle for LPS to recover debt, particularly old debt. We would like to try to stabilise that, and we have done so. We were on a rising trajectory for a number of years, but we have made some inroads into that, not by a huge amount, but it is nice to see the top of the curve turn. I hope that it will stay that way.

Mr McQuillan: Have you any targets set for next year? Where do you hope to be?

Mr Peover: Yes. Let me say one thing first: the target for debt is £145 million, against £153.2 million at the turn of the last financial year. I wrote to the Clerk in June and quoted a figure of £149.2 million. It turned out that that was wrong. We talked to the Audit Office about it. It was not that the overall debt was wrong. The figure of £160 million that you quoted was right, but we had underestimated the amount of debt for occupied domestic properties and others and overestimated the amount of debt for vacant domestic properties. So the total was right, but the balance was a bit wrong. The actual figure for the last year was £153.2 million, and that will be recorded in the trust statement in due course.

The target is £145 million, against an out-turn last year of £153.2 million. I thought that we were unlikely to achieve that target of £145 million last year, but it seemed that we had got down to £149 million. However, that then turned out to be £153 million. I would not want to bet my house on LPS achieving £145 million. However, I want to see it achieve the collection target. Collection — getting money in — is important. Getting debt down is important, but I think that that will be a struggle, given that domestic rates are rising after a period of being held steady and given the increasing financial pressure that everybody — individuals and businesses — is under and the sheer effort of putting those things through the system. In a sense, some of the weaponry we have is a bit lacking compared with what some of our colleagues in Great Britain have. We do not enter people's premises and take their TV away and those sorts of issues. So we have fewer arrows in our quiver. We are still striving to get the debt down. To my mind, it is a very important indicator of the standing and reputation of LPS that we should try to tackle that debt. It does not really matter whether it is £150 million or £145 million; it is still a huge amount of money.

We can provide you with reasons — you call them excuses — why some of that is not recoverable. There is a core that we need to work on. We know that we will never get some of it because it will have to be written off. Some of it is already in the court system, and we are relying on the courts to attach people's wages or whatever it may be to get that money back. We will never be able to trace the people who owe some of the money. However, I want to see LPS work hard on the bits that we can act on. Patricia and her staff are doing that, and we are trying to improve the process as we try to increase staffing on the revenue and benefits side. It is a matter of equity for the ratepayers who pay their rates, to whom Mr Clarke referred. It is reasonable for them to expect us to try to ensure that other people also pay their rates.

Mr McQuillan: It may be that a certain number of people who do not pay rates cannot pay them, but there are some who just will not pay. How do you get round that? I know it is a difficult job.

Mr Peover: Hopefully, we eventually take to court the people who just will not pay. We will work with those who cannot or are in difficulties to come to an arrangement. The only difficulty is that, like everything else, if you do not make some sort of reasonable arrangement, the bills keep rising. If people do not pay their current year's rates and owe money from previous years, all that they get is a snowball running down a hill. We need to find a way to get people to pay what they owe this year and to make some contribution towards previous years and to do so not over 20 or 30 years but over a reasonable period — preferably the same length of time over which the debt built up.

Mr Wilkinson: While working with the Institute of Revenues, Rating and Valuation (IRRV), we were advised that everything that we do that improves the timeliness and accuracy of a bill improves collection, which, in turn, drives down debt. We start each year with £1 billion of debt and then we start collecting. Each month that goes by, that £1 billion is reduced, until we get to the end of the year and the remaining amount is the debt figure. So, everything that we do is to improve the speed and accuracy of our billing.

All that we have talked about this afternoon — specific issues such as tracing services' information streams, working in partnership with councils, driving improvements to our business, merging bits of our business so that we use aerial photogram to support the rate collection and using the registration information that we have got to support the rate collection — is aimed at driving forward that point. Each week and month that goes by, you find a different tool, a different approach, a different arrow in your quiver, and it goes on. However, all of that is against the difficult backcloth of the economy that we are in. Each day, you see requests from ratepayers who are struggling in the current economic circumstances. It is a difficult and daily judgement call, day after day, for my staff to separate the "Won't pays" from the "Can't pays".

Mr McQuillan: We see some of those people in our offices and face the same thing in balancing who cannot pay and who just does not want to pay.

Mr Peover: It is a real issue for us. Target setting worries me as the accounting officer for the Department. Although LPS has done well against its rate collection targets and John was a bit upset with me when I pushed this year's target even higher because it had done well last year, the figure for debt is a difficult one. When setting targets, we reduced the percentage target for collection. We were setting a target of 98%, which the staff were never getting anywhere near. They were constantly failing to achieve their target, and I do not find that a terribly motivating way of doing business. Likewise, the debt target of £145 million will be extraordinarily difficult to achieve, certainly this year and probably in future years. We do not want to change it but we have to be realistic about it. If I am back here to talk to the Committee again this time next year, I would not bet my house that I will be able to give you a better story about meeting all our targets. It is getting increasingly difficult.

Mr McQuillan: We do not want your house now, so your rates bill cannot get any higher. *[Laughter.]*

Mr Peover: That is all right. I live in a very modest house, and the rates are not that high.

Mr Clarke: Following on from what Adrian said and going back to debts again, I take on board what you said about public bodies. The Housing Executive is obviously one of those in terms of its tenants. I am sure you saw me going to the Audit Office to get this wee piece of paper. I remember reading the report and asking this question. This question came up last week. The Housing Executive was not included in the write-offs, and I was intrigued by that, given that, yes, it is an individual, but the Housing Executive is the owner, so why is it not being held liable? I think there has been a clarification of that from the Audit Office and that has changed slightly. We are now talking about housing associations, which surely do not have the same protection as the Housing Executive. So, according to the last piece of paper I read, there was still approximately £13 million in 2012.

Mr Peover: Of debt?

Mr Clarke: Debt.

Mr Peover: For housing associations?

Mr Clarke: Sorry, housing associations and landlords. Why are housing associations not being pursued, given that, in more cases than not, they have been given public land to build houses, a client base to fill those houses and, in many cases, they are receiving the money to pay for the rent for those houses? How are they still in a debt situation?

Mr Peover: I need to check the figures on that. We did have a problem with public body debt a couple of years ago. It was not that they did not pay, but some of them were quite slow to pay. We had to do a fair bit of work to chase up public bodies to pay their rates.

Mr Clarke: The other thing that gets me — I realise that it is housing associations, and we are all familiar with it from our own offices — is when a Housing Executive customer pays X pounds but the

same house from a housing association is actually more expensive. On top of getting land for nothing, getting assistance in planning and what have you, getting tenants from the Housing Executive select list, getting housing benefit and getting more than the Housing Executive, how are they not paying their debts?

Ms McAuley: I do not have figures splitting that £13 million between housing associations and landlords. I suspect that the bulk of it is normal private sector landlords. We will try to get that information.

Mr Clarke: I do not think that housing associations should be on it at all. I cannot see how your offices cannot pursue housing associations.

Mr Peover: No public body should be on a debtor list. We will check.

Mr Clarke: People who are interested in this subject and people who are in difficulties — we are all faced with people in our offices with difficulties — who may follow debates like this will be really disappointed that they are being pursued, whereas a housing association is on the list and seems to be getting preferential treatment, let us put it like that.

Mr Peover: It should not be.

Mr Clarke: I am amazed that they are even on the list. The other thing that you said, Stephen, in relation to something that you said to Adrian, was that domestic rates were rising. I thought there was still a freeze.

Mr Peover: No, there is a slight increase with the rate of inflation. They are not rising in real terms.

Mr Clarke: OK. You had me worried there.

The Chairperson: Before I bring in Mr Rogers, I want to ask a question. How does LPS limit the amount that you will accept in terms of debt recovery for commercial and domestic properties? How do you come to the decision on a payment plan showing what people can pay back and the smallest amount you will accept of them? Do you cross-reference with the creditors, banks or any credit agencies to find out what people have in their bank account?

Mr Peover: The basic rule of thumb is the one I described of trying to recover arrears over a period not longer than the period that the arrears accrued over, so, if they accrued over three years, they should be paid off within three years, along with the current liability. That is our rule of thumb, although there is discretion for staff to take account of specific circumstances and look at other options. We want to avoid driving people deeper into debt rather than helping them get out of it.

The Chairperson: If I had a domestic property and fell into a situation where I could not afford to pay my rates, would you say that that is OK and you would take £10 a week or £20 a week? How do you actually come to that decision for someone who is in dire straits, which is the case for most people out there at the moment?

Ms McAuley: We look at a number of things. For example, if the individual has had a good payment history and has paid their rates for the past three or four years and suddenly fallen into some difficulty, we ask them — normally, rates are paid over a 10-month period — if they could pay if we spread it over 12 months. With prior year debt, we look, as Stephen says, at how long the debt has been accumulating and try to spread it over that period. Sometimes, depending on people's circumstances, we might say that they should pay it within two years but we will extend it out to two and a half years so that their monthly payment is a bit less. However, at the end of the day, if somebody has a debt of £800 or £900 and pays £10 or £20 a month, they will never get it cleared. We sometimes have to say that it is not enough because the only outcome of that is that the person will get into more and more debt. We sometimes suggest to people that they talk to a citizens advice bureau or to debt advisers to see how they can manage their debt. It is a very difficult balance.

The Chairperson: I am trying to delve into that question. If people cannot afford the £10, £15 or £20 a month and the advice is to seek advice from whoever, it is a circle. They will get into debt to pay a

debt. That is a very difficult situation for somebody to be in, and it is happening at the minute with some people.

Ms McAuley: We understand that, but, at the end of the day, we have a statutory requirement to collect the rate, and we have to try to balance that statutory requirement against an individual's circumstances. I have seen situations where, for example, we have entered payment arrangements with individuals and they have consistently broken those arrangements. You may have personal sympathy with the individual and empathise with their circumstances, but, at the end of the day, from a business perspective, there comes a point where we have to draw and line and say, "I am sorry, but we will have to take you to court because we are not convinced that we can recover that debt". We have difficult circumstances like that, and staff are trying to deal with difficult situations. It applies to individuals and businesses, and, to some extent, businesses can be even worse because the upshot of taking them to court or into bankruptcy may be that the business has to close and people could be made unemployed. Difficult decisions have to be made, and, at the end of the day, we have to see evidence that the individual is trying to pay the debt and that it will be paid over a reasonable period. Otherwise, all we are doing is racking up more and more debt for individuals, and they will get to a point where they are not able to manage at all.

The Chairperson: On the flipside, with those who can pay and will not pay, can you cross-check with a credit agency to see what is in their bank account?

Mr Peover: No, we cannot do that. We can use tracing services to find them, but we will take them to the courts and the courts will ultimately deal with those issues.

Mr Rogers: Mr Peover, you mentioned earlier that your target of 98% was reduced to 95.5%, and you said that the 98% target was unrealistic. Why was it there in the first place if it was unrealistic? You talked also about the demotivating factor on staff of having a target that they could not reach, but it is demotivating for the public to know that you gave up on £25 million.

Mr Peover: It is not so much a case of giving up on it; it is a question of whether you ever realistically expected to get it. Anybody can set a target at any level, but, if it is not going to be achieved, do you stick with it and keep it there as an aspiration? We still want to get to 98% and, indeed, beyond it, if we can. Do you set a series of interim targets? We set 95.5%, but the organisation achieved 96.3% or 96.4%. It overachieved on the lower target that we set. In a sense, I would rather see them overdeliver than overpromise and underdeliver. It is better for the staff to see the organisation making real progress and to do better than the target that they are set. Then, of course, we can increase the target.

When I came to DFP, the net collection levels were £960 million in 2009-2010, £1,016 million in 2010-11 and £1,065 million last year. We have set a target for £1.1 billion for this year. So we have increased the absolute levels of figures we want recovered. That is the money that comes into the Consolidated Fund and helps councils and the Executive to deliver public services. To me, that is the headline figure. Can we get collection up? Can we get more money into the system? Can I help my colleagues in the financial planning side of DFP to programme in a reasonable figure to go into the budget?

The debt figure is useful as well. Debt will help. If we can recover debt, it helps out councils and others in the short term. I am keen to set targets that are achievable and, preferably, capable of being exceeded, rather than targets that are out on the horizon somewhere and which nobody can reasonably expect to achieve. I do not think that that helps. I think staff are more motivated by a lower figure. Since I have been there, we have reduced the figure.

Mr Rogers: So you are saying that you have achieved the target of 96.4%, and it is likely that that target will go up.

Mr Peover: Yes, we want it to go up.

Mr Rogers: My other question relates to fraud and error in the housing benefit system. Why is the LPS rate so much higher than that in other agencies? The Social Security Agency has 2% fraud and the Housing Executive has 3% fraud, but LPS comes out at 11%.

Mr Peover: There are a number of issues there. I do not want this to sound like a series of excuses. I am trying to give you reasons, rather than excuses. The first thing is that this is not our business; it is an ancillary bit of our business. We are a rates collection authority, and applying reliefs through housing benefit to rates is a small issue for us. It is not our core business. We have a difficult caseload of people. There are lots of people coming to us needing an assessment. They are not being passported in through the social security system. They need to provide us with information and evidence of their income and outgoings, and we need to make an assessment. We have relatively few staff doing that, and I think we have to admit that we have not been particularly good performers at that in the past. We need a better set of quality assurance arrangements to make sure that, when staff do the assessments, they are accurate. So we are trying to strengthen the staffing in that area. We are bringing in more supervisors who will perform that quality assurance role. In the past, quite a lot of temporary staff were employed in that area and, perhaps, they did not have the time to develop the skills, knowledge and experience that are needed to deal with what is complex work. So we have improved the permanent staff in that area.

I would like to see it improve significantly as we go ahead. It is not something that I am particularly proud of or pleased about. We have not covered ourselves in any sort of glory in that area of work, but it is difficult, and it is not our core business. We are not a benefit agency; we are a rate collection authority. However, we need to improve, and we are clear that we need to improve that area of activity.

I have given the outline of the sorts of things that we have been doing. We have rewritten guidance manuals for staff, given training to staff and increased the staffing. We are doing quite a few things to try to improve the quality of our handling of those cases.

Patricia, is there anything that I have missed?

Ms McAuley: I will focus a bit on quality assurance. Previously, we did not have any separation of duties for who calculated the claims and who quality-assured them. We have now separated those functions. We have a review team in place to go in and review cases regularly. We also have a dedicated team to manage higher-risk cases. For example, the income of individuals who are self-employed can fluctuate quite substantially, and that can impact on the level of housing benefit. We have tried to identify the claimants who are likely to be the highest-risk cases, and we have staff specifically focusing on those types of cases.

As Stephen said, over the past few months, we have brought in additional staff, and we have recruited 27 additional staff for the housing benefit unit. Those staff are going through training consolidation at the moment, and they will all be trained and consolidated by February. They will then be put into the unit to do the work. We are also trying to manage the workflow pressures and concentrate on prioritising the claims. Given the current economic climate, we want to prioritise new claims coming in. We do not want to have people, especially those in financial difficulty, waiting for three months to know whether they are getting their housing benefit. We are doing a lot of work to try to improve. However, as Stephen said, we are not starting from a great place. We have a lot of work to do, but we are very determined that we are going to do it, and we will make improvements in fraud and error over time.

We have tried to make things clearer for our customers. A lot of them do not realise that their rate relief is a social security benefit. For example, we changed the letter in April 2011 to make it clearer that it was a benefit and what the award would be. We had literally thousands of phone calls from individuals who said that they were not getting housing benefit.

This is a credit: it is not like another benefit where people are handed a cheque or money goes into their bank account. It is a credit on the rate bill, and an awful lot of people do not even realise that it is called housing benefit and that it is a social security benefit, because they just see that they do not pay any rates or they pay only £50, or whatever it is. We need to do a lot of work, in the unit itself and on how we process the claims. There also has to be more education of the customer base.

Mr Rogers: When we talk about realistic targets, and considering everything that you have said, do you have a target for fraud and error? OK, we would like it if it were zero, but I am talking about a realistic target.

Ms McAuley: Our target is to address the level and reduce it. In the longer term, I would like to see it being much closer to the SSA and the NIHE levels, but we have to be realistic and accept that that will

not happen overnight. It will take time. However, we need to start now, and we need to start focusing on trying to reduce it below its current level.

The Chairperson: A high percentage of shops have been boarded up as a result of the economic recession. It has been reported that in Belfast alone a quarter of the shops are vacant. In my home town of Strabane, we have over 50 vacant commercial properties in the town centre and 346 right across the district. To what extent is the erosion of the rates base putting an additional financial burden on the remaining businesses in towns?

Mr Peover: I do not think that it is putting an additional burden on the remaining businesses. The valuation is what it is for a set of premises, and whether the premises next door are empty or not does not reduce or increase the rate take from the one that is occupied. It does, however, reduce the overall revenue. The Minister has done a number of things over recent years to try to improve the position of businesses so that vacant premises are reutilised or reliefs are provided to encourage people to remain in properties rather than move out of them. Therefore, it is a concern at the regional level, because the more vacant properties that we have, the lower the rate take.

There will be a domestic revaluation in 2015, which is another complicating factor. A perception around the system is that a revaluation will lead to a drop in everybody's rates. That is not the case, and the Minister has reminded people that a revaluation will be a redistribution of liabilities.

At a regional level, the Executive have to decide how much money they want to take from the rating system. It is our job to deliver that through the rating of property, whether it be domestic or commercial. That process is part of a budget-setting process. The sum is what it is: we are given a figure to deliver, and that is our job. It is a problematic issue, and we get representations made to us that rates is an issue for businesses. It may be, but if a business is at the point at which it is going under, it is unlikely that the rates are the only or main contributory factor in that.

The Chairperson: In Strabane, the level of rates is a big issue for small businesses. They would say that it is the number one factor for them. The most common complaint that I hear from small businesses concerns the level of rates.

Mr Clarke: I support you on that, Chairperson.

I am disappointed, Stephen, that you have been so complacent. Your answer was misleading. The Chairperson made a clear challenge in the way in which she framed the question to you. She talked about how businesses are feeling the impact of other businesses closing. You are saying that the rates are what the rates are. The rates would be less if some of the empty properties were occupied. Therefore, I am disappointed by the complacency with which you responded to that question.

Whether it be Strabane, Coleraine, Antrim or anywhere else, the businesses that are sticking it out are telling us that they are finding it very difficult. The complacency in your answer came when you said that if a business is at breaking point, there must be something else wrong. That is a very unfair assumption to make. I do not know how much you know about business, whether you have been involved with businesses or have family members who are involved in businesses, but if you knew how much they are for small shopkeepers in some of the larger towns, you would know that rates are the difference between staying open and closing the shutters.

We should be looking for some other initiatives to get some of the vacant properties back on the market to reduce the overall burden on those who have tried to stick it out. To assume that things would be the same regardless of the level of rates is very complacent.

Mr Peover: Complacency was not intended. I take your point that if all paid everything that they were liable to pay, we might be able to reduce the overall rate burden for everybody. That applies to debt, ordinary domestic rates or commercial rates. The impact would probably be relatively small, but there is still a decision to be made about how much revenue needs to be raised. At the moment, rates are the only significant local tax that we have, and it is the only significant input to the Executive's Budget.

Should we do more to support small businesses through rate relief schemes? That is a policy issue for Ministers and the Executive. They may take a view on that. At the moment, the reliefs that we have are the ones that I described to you already.

Mr Clarke: The Executive have done a fair degree of work on helping small businesses. However, in your response, you were complacent about some of the pressures that some businesses face. If you take any reasonably sized town, it would not be unknown for some businesses to be paying £30,000 or £40,000 a year for rates.

I appreciate what the Executive have done, but I am concerned that you, as the chief accounting officer of Land and Property Services, were so complacent about the businesses that we have in the Province that are struggling and suggested that there must be more going on in the background. I must admit that I am dismayed by that. I am really dismayed.

The Chairperson: Mr Clarke, the Committee can look at that next week and discuss it further.

Mr McQuillan: Trevor touched on this a wee bit, but I want to add that the Minister realised how hard rates are for small businesses. That is why he introduced the small business rate relief scheme, as well as, I think, 50%, relief on empty premises?

Ms McAuley: Empty properties, yes.

Mr McQuillan: We heard an update at the Finance and Personnel Committee this morning that 32 businesses went into —

Ms McAuley: That is right.

Mr McQuillan: It is still 32 more than there were last year. That should continue. I know that that was meant to be only a one-year thing, but —

Mr Peover: A review was built in to see how the system worked. We are putting an evaluation to the Minister. That was the point that I was trying to make — probably not very well — to Mr Clarke. There are initiatives to support small businesses. They are in the system. Those are the reliefs that exist, and that is the policy as it is. We will operate within that policy to deliver the rating system.

Mr McQuillan: I understand that. If you talk to any chamber of commerce, the one thing that comes across clearly is that rates is a big burden on any small business.

The Chairperson: Finally Mr Peover, with all the changes that are likely to affect Land and Property Services in the years ahead, particularly with universal credit, non-domestic revaluations and the new IT system, how well equipped are you to deal with them? What assurance can you give the Committee that we will not be sitting here in a few years discussing the same problems, albeit — I take on board what Ms McAuley said earlier — that you are determined to improve?

Mr Peover: You saved a hard question for the end.

That is our job. We are here to try to improve the delivery of the services that Land and Property Services is involved in. We only talked about some of those services today. It does other things, but those are the high-profile areas of its business. We are working our way through the challenges that I described earlier, and there are lots of them. They include everything from the mundane operational, right through to the high-level strategic, with things such as local government reform.

I cannot say anything other than that I believe that we are addressing the issues and are capable of addressing them. As the senior management team in this bit of the organisation, our job is to work together to try to identify where the pressures and priorities are, and to try to address the difficulties and allocate or reallocate resources to meet them. I am quite happy to be held to account for that again in due course —

The Chairperson: In a couple of years' time?

Mr Peover: Well, I will be there for a while yet. Hopefully, I will have a better story to tell you.

Mr Wilkinson: For me, it is about all the work that we are doing at the moment, such as the forward planning work with the permanent secretary to anticipate what is coming down the track, and all the work that we are doing in the meantime to improve all our systems, our efficiency and the investment

that we are making in training our staff. All those things are the preparations that we are making for the future. A very important issue for me is learning from the past — from what we have been through over the past five years — and forward-planning round that. Those are some of the important issues for me.

The Chairperson: It was mentioned earlier that rates are rising. That, in itself, will create a particular problem in the years ahead.

This has been a useful session on a very important and relevant issue, and one that, no doubt, many people will be watching. The Committee notes the progress that Land and Property Services has made since our previous evidence session and the overall improvements in the system.

Rates collection provides a significant contribution to the block grant, and the Committee acknowledges the collection of over £1 billion of receipts for the first time. However, with increasing pressure on public funds, it is important that the rates revenue be maximised. The Committee will consider today's evidence today and report in due course.

Mr Peover: Thank you, Chair. We will let you have the material that we promised.

The Chairperson: OK. Thank you.