Northern Ireland Assembly

COMMITTEE FOR FINANCE AND PERSONNEL

OFFICIAL REPORT
(Hansard)

Land and Property Services— Implications of Revised 2010-11 Spending Plans

17 February 2010

NORTHERN IRELAND ASSEMBLY

COMMITTEE FOR FINANCE AND PERSONNEL

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Members present for all or part of the proceedings:
Ms Jennifer McCann (Chairperson)
Mr Peter Weir (Deputy Chairperson)
Dr Stephen Farry
Mr Simon Hamilton
Mr Fra McCann
Mr Mitchel McLaughlin
Mr Declan O'Loan
Ms Dawn Purvis

Witnesses:

Mr Stephen Boyd	)
Mr Iain Greenway	) Land and Property Services (LPS)
Mr John Wilkinson	)

The Chairperson (Ms J McCann):
I welcome John Wilkinson, the chief executive of Land and Property Services (LPS), Iain Greenway, the director of operations at LPS, and Stephen Boyd, director of finance and corporate support. You are all very welcome. I invite you to make a few opening remarks before I open up the session to members' questions.

Mr John Wilkinson (Land and Property Services):
In view of the subject matter, I have brought along Stephen Boyd. This is his first appearance

before the Committee. I think that you all know Iain Greenway.

We sent a paper to the Committee providing background information on our spending plans for 2010-11. The past three years have been challenging and difficult for LPS. We have had to deal with the difficult birth of the reformed rating system, the revaluation of properties, the replacement of our IT system, a raft of rating reforms and an economic recession.

I wish to make a few points about our preparations for 2010-11. First, over the past three years, we have made some big inroads into clearing backlogs. For example, one of the issues that we have dealt with is clearing the backlog in the valuation of new houses. Three years ago, the headline figure for the number outstanding was 8,644 houses. Our projection for the number outstanding to the end of this year is about 1,500, which is a big reduction. Similarly, the total number of valuation cases outstanding have nearly halved, from between just over 58,500 to 30,750 at the end of the year. We have also made inroads into clearing the backlog in registration — the number of cases with professional officers has reduced from 8,400 to 3,200 — and have made big inroads into the backlogs in collection. Therefore, as far as laying the foundations for the 2010-11 year is concerned; the first point I would like to make is that we have been quite successful in clearing backlogs.

We have also been looking at our processes and how we have been going about the business. We have implemented many business and process reviews that have been driving efficiencies and helping us to prepare for next year. A lot of that work is still in hand, and we are seeking to complete it as we move forward. As well as clearing backlogs and delivering process and business improvements, we have been linking up with various parts of the legacy bodies to help us to improve our processes and drive efficiencies. I am sure that those are some of the issues that the Committee will wish to talk about during the meeting.

Dr Farry:

I will be Declan for the benefit of this evidence session today. *[Laughter.]*

John, Stephen and Iain, you are very welcome. Your briefing paper states there is a significant risk to the delivery of the LPS business plan should the £5 million additional funding not be secured through in-year monitoring. There are three parts to my question: first, what areas of the business will be impacted specifically by that; secondly, will front line services and the delivery of PFG or PSA targets be affected; and thirdly, what contingency plans are in place?

Mr Wilkinson:

I will make a few comments in response to the question, after which I will hand over to Stephen to deal with some of the detail. The background to this is that our baseline was set before the introduction of about 43 different rating reforms. Therefore, each year we have had to bid in-year for the finance to resource those areas of work. Stephen will explain more of the detail, and I will return to answer the question about how I will deal with the situation if it all fails.

Mr Stephen Boyd (Land and Property Services):

We have been working with the Department to help resolve the overall £5 million shortfall. The Department recognised that it is not just a pressure on LPS, and it has been developing contingency plans to make cuts across the Department to avoid cuts to front line services. The Department had originally applied the £5 million cut across all areas. However, it emerged that that would have significant impacts on other areas in the Department. Therefore, the Department said that it will support a bid for an additional £5 million in-year and, if that £5 million proves unsuccessful, it will support a £5 million cut across the Department to avoid cuts to front line services. We would have to take a proportionate share of that £5 million cut and try to avoid cuts to front line services.

Mr Wilkinson:

In the past three years, I have had the support of the Department and have worked closely with the permanent secretary and the Minister. I am confident that the spending plans that are in place will come to fruition and will enable us to deliver our business. To address any difficulties or challenges on that front, I want to continue with the process that we, as a management board, have been using in recent months, which involves reviewing our spending plans, ensuring that front line services remain up and running and considering efficiencies in some of the more corporate backroom services. That would not be without difficulty.

Dr Farry:

We appreciate that LPS's baseline is now, in effect, wrong given that the reforms that have been imposed subsequent to the creation of the Budget. By the way, this is me speaking, not Declan. *[Laughter.]*

Mr Iain Greenway (Land and Property Services):
He has left you unchaperoned.

Dr Farry:
That £5 million is a considerable sum relative to your overall budget and represents about 10% or 12% of your gross level of expenditure of about £40 million. Moreover, it is potentially about 25% of your net expenditure. That is a considerable diversion from a challenge that one would expect to be met. Given the pressures that you are addressing to meet the current financial difficulties, where do you see the organisation in future years? Will that become the normal functioning of the organisation, or will you tell the Department that the situation is fundamentally wrong and needs to be addressed at the time of the next CSR?

Mr Wilkinson:
At the moment, we are still confident that we can maintain services with the support and the figures that are set out in the briefing paper. We are doing that by driving improvements, building on the work that we have done, joining up the legacy bodies, and driving efficiencies.

In a couple of months, there will be a general election. I think that there will be a new comprehensive spending review, which will mean further efficiencies and reductions in budgets across the entire public sector. It is difficult to imagine how long we can continue in the current vein until we reach a cut-off point in budgetary terms, whereby we may have to review the services we deliver. Some choices or decisions may have to be made.

At this juncture, I find the question to be a very good one, and one that is very difficult to answer. The best I can do is to say that I am confident with our spending plans at present given the finance and support from the Department. However, I will probably have to return to the drawing board with my management board and fundamentally review the position.

Dr Farry:
We are unsure of the future financial context. We know that it is going to be difficult, but the real issue is how difficult.

Mr Wilkinson:
As I said at the outset, it has been a challenging three years and I am sure that the next three years

will be equally as challenging.

Dr Farry:

My second question is a lot shorter, and before I ask it I declare an interest as a member of North Down Borough Council. In your submission, you refer to a bid for £0·6 million in 2010-11 to meet the ongoing costs of the transitional relief scheme for councils based on the maximum cap on the district rate. Given that that is a legislative requirement for LPS, what are the consequences of that bid not being met?

Mr Boyd:

LPS had a bid of £1·5 million met in-year this year. There is a legislative commitment that LPS must pay that money, and if the bid were not met, we would have to work with the Department to pay it.

Dr Farry:

Is it fair to say that your default assumption is that that bid will be met, and that there is no contingency plan? If DFP decided not to approve the bid at Executive level, would it be up to the Department to find the money rather than LPS?

Mr Boyd:

Yes. It is in a currency that LPS does not have and it would have to be found elsewhere in the Department.

Mr Wilkinson:

LPS is not immune from the challenges on spending and budgets that span the public sector. If the bid were not met, I would approach the permanent secretary in the Department to discuss how to finance the transitional rates relief scheme. It could possibly be achieved by budget reductions in other parts of the Department, but what LPS could do to meet that finance would also be kept under constant review.

Mr F McCann:

In your submission, you state that £2·2 million was saved by reducing staff numbers in 2009-2010, and that a further £1 million will be saved by that process by March 2010. Will losing that number of staff not have a direct impact on your ability to deliver your reorganisation plan, given that that plan is at a crucial stage? How many staff have been lost to make that saving?

Mr Boyd:

In April 2009, LPS had 1,187 full-time equivalent staff. By February 2010 that number dropped to 1,080, and the plan is to reduce the number to 1,050 by April 2010. Basically, the £2·2 million relates to the savings that were made through staff leaving the organisation or being redeployed elsewhere between April 2009 and February 2010. The £1 million relates to the savings that will be made when the additional 30 staff are redeployed by April 2010.

Mr Wilkinson:

Due to the pressures across the block, we have not staffed up to the figures originally planned for at the start of the financial year. As the year progressed, public spending tightened, and we were asked to make further efficiencies. We did not staff up as far as we had expected, so the £2·2 million saving has been a cushion for moving into the next year, when we will seek to make further efficiencies. The £1 million saving identified in our paper reflects the efficiencies to be made on staffing in the forthcoming year.

You are right to highlight the challenges that will be created by removing that number of staff. The management board has been looking at changes to business processes, improvements using IT, and joining up across the organisations. With respect to our plans for 2010-11, we are confident, based on the figures presented, that we can maintain the services albeit losing some staff from our headcount.

Mr F McCann:

I think that the LPS has come on in leaps and bounds since the initial presentation we had from it several years ago. However, I find it difficult to believe that, in the midst of the reorganisation, being 137 staff down does not directly impact on your ability to bring it to fruition. It has to have an impact somewhere down the line.

Mr Wilkinson:

Parallel to this, we have had support form the Department in the transformation, reorganisation and change side of things. I have recently appointed a director of transformation, and a small team of staff are working with that person to progress the reorganisation. I am confident with the progress that we are making.

It is difficult to know what is around the corner as regards rating reforms and IT changes. We will face many issues in moving forward, but given the backlogs that we have taken out, I am confident that we are not going to start next year with anything like the backlog of work that we had previously. I am confident that we can deliver service and maintain progress in the work that we have done in driving improvements and joining up the organisation.

Mr McLaughlin:

Your paper refers to the need to establish a firm funding base for LPS in future years. It also states that the Department is in discussion with the public spending directorate about that matter. When will the outcome of those discussions be available?

Mr Boyd:

That would need to be part of the next spending review; therefore it would be once the Department issues the planning process for the spending review. We had asked for the £5 million to be sorted when the spending review ends. Therefore, by the end of the 2011-12 financial year we would want that sorted for that year, so that we know that we have a firm funding basis on which to move forward.

Mr Wilkinson:

We are in discussion with the permanent secretary and the Department at the moment and I hope that the issue will be resolved. At the moment, these are spending plans that need to be ratified by the Assembly, but I hope that that will happen in the weeks ahead, so that we can move into the next financial year on a firm footing in the knowledge that funding and support is available.

Mr McLaughlin:

You indicated in your answer to Fra McCann's question that the LPS baseline was reviewed as you progressed through the reforms. The volume of change presented a huge challenge. What other factors will be taken into consideration in those discussions as well as an ongoing and updated comprehensive review of the LPS baseline?

Mr Wilkinson:

I meet the permanent secretary on a regular basis to discuss progress. The other factors taken into consideration are, for example, the economic environment. Recovery is still very fragile, which impacts on levels of debt. We also look at resource cost. Another important factor in those discussions and considerations is capital funding. In joining up the organisation and driving efficiencies, capital is important, especially for IT development. So, that is another important aspect that is regularly discussed.

Generally speaking, we keep an eye on the economy and on the changes that take place. For example, in recent months we have discussed the increase in benefit claims. There has been a big increase in claims for lone pensioner allowance, and benefits generally, because of the recession. A lot of factors that impact on the business are discussed. For example, another factor is income.

Ours is a very complex business. We do not just look at possible increases in cost and resource needs just because of increased pressures such as recovery and benefits claims, we must also watch the income side of the business, which can affect our overall financial position. For instance, the management board regularly reviews the housing market and what is happening to the income of Land Registry. Other areas of work considered include map sales, client services and valuation. It is a complex mix of issues, each of which needs to be discussed on a month-to-month basis.

Mr McLaughlin:

I want to pick up on the discussion you had with Fra McCann. Your paper gives some detail about staff reductions and the loss of experienced staff. At which grades are the five permanent staff referred to? Are they at administrative or senior grades in LPS? What is meant by redeployment: do you mean within LPS, the Department, or the Civil Service?

Mr Wilkinson:

Stephen will deal with that.

Mr Boyd:

Initially, we thought that we would have to redeploy those five members of staff outside LPS, either in DFP or possibly elsewhere in the NICS, but we are still in the planning process. We do not know where exactly we can move them to. We expect some to be moved to other parts of LPS. However, the picture is constantly changing. In the year to date, 131 people left LPS, so as vacancies arise, we can place some of them in LPS. The people are at various grades, from grade 7 to administrative officer.

Mr Wilkinson:

Let me add to that, and refer to Mr McLaughlin's previous question. The position changes weekly. Before Christmas, we thought that we might have to redeploy was 50 or 60 members of staff. However, the budget situation improved after discussions with the Department; the financial position improved, for example, on the income side; and we have secured additional mapping work from DARD. That has greatly reduced the numbers that we need to redeploy. Indeed, Stephen and our head of HR were talking about that the other week. I asked that we keep on top of that on a daily basis, because I am sure it will change again. For example, wastage, as people leave LPS, can affect staff numbers. We are keeping an eye on that, virtually on a daily basis.

Mr McLaughlin:

Although the situation is volatile, do you remain confident that can continue to address your business and performance targets?

Mr Wilkinson:

Yes.

Mr McLaughlin:

It is a significant challenge, and we should recognise that. How has the operations directorate been affected by the loss of experienced personnel, and is redeployment your only option for maintaining the effectiveness of that unit?

Mr Wilkinson:

We are keeping the door open as regards options, and we review them regularly. Due to the period of reform, the backlog of work that was built up, and the challenges that were faced, we maintained a high level of casual staff in operations directorate. We knew that, at some point, we would get on top of things. We knew that we would stabilise the IT system, which, largely, we have done. We knew that we would clear the backlogs of work and that the use of casual staff would help us to stabilise the staffing position. I shall ask Iain to add a few comments, because that is his business area.

Mr Greenway:

What gives us an advantage over many unmerged organisations is that in the operations directorate, I am responsible for registration staff and revenues and benefits staff. We have moved around 25 staff from registration to revenues and benefits. We kept them in the business so that, as and when the housing market turns up, we have the option of considering whether to bring those staff back, although some of them may not wish to do so. The Dutch Kadaster has laid off 500 staff, and Land Registry in England and Wales is currently making 2,000 staff redundant.

We are responsible for a smaller land area, so we are dealing with smaller numbers, but we have had the opportunity to fill vacancies in revenues and benefits. In 2007-08, many new staff came into revenues and benefits, and you may recall from previous hearings that that created many problems with the quality levels of the benefit application work. It is a complex world for new staff to enter. We have around 30 casual staff to release, around half of whom will be replaced by permanent staff. We have to manage that as effectively as possible.

Another small positive note is that the overall pressures on NICS staff numbers mean that we should not need to run with many vacancies for any length of time, whereas, in the past, filling jobs has been a problem because a recruitment process had to take place. We normally had to run with a small percentage of vacancies because it took time to fill the posts of people who leave, but will not be an issue. Some positives have emerged from what has been a tough environment.

I am conscious that all of my staff are either collecting money for the rate account for the Executive and the councils or are processing registrations, which, apart from securing title to property, brings income. All staff are involved directly in bringing in income or in dealing with benefit claims that are an integral part of ensuring the equity of the rating system.

The Chairperson:

You said that five permanent staff will have to redeployed and that 30 casual staff will have to be released. Will those casual staff lose their jobs?

Mr Wilkinson:

Yes, we will terminate their contracts. We have to give one month’s notice.

Mr Boyd:

We will give the staff one month's notice. Most of them are provided by Grafton Recruitment. We will inform Grafton that we will release people on a particular date, and Grafton will try to re-employ them in other firms.

Mr F McCann:

How many staff members remaining in the LPS will be casual workers?

Mr Wilkinson:

From 1 April, we plan to have only a small number of casual workers left.

Mr Boyd:

We are agreeing release dates for casual staff. We need to tie that into when we can recruit permanent staff to replace them so that we do not lose too many from the operation. Some will go at the start of April, and the rest will be released probably over the following two to three months as we get permanent staff.

Mr F McCann:

Can I have even a breakdown of how many employees are casual staff, and, when they are released, how many permanent staff members will be taken on to replace them?

Mr Weir:

The Finance Minister announced the innovative invest to save proposal as part of the budgetary process. Has LPS submitted, or does it intend to submit, an invest to save proposal? If so, what is the nature of that proposal?

Mr Wilkinson:

We have been considering the invest to save initiative, and I will ask Stephen to speak about that.

Mr Boyd:

We have been working with the Department of Agriculture and Rural Development (DARD) on an invest to save bid. DARD will make a bid for approximately £6·2 million for our geographic information (GI) work. DARD pays about €340 million a year, of which the EU has contributed about only 95% to Northern Ireland in recent years. Therefore, we will submit an invest to save bid on behalf of DARD for that GI work on farm boundaries to protect the amount of money that Northern Ireland gets from the EU.

Mr Weir:

Is that because of a shortfall, or because of a lack of information?

Mr Greenway:

Yes, it is a derogation of that 5% to the EU because of insufficient quality of the information that DARD has to underpin the single farm payment.

Mr Weir:

Is the objective to increase the level of EU funding, or is some of the 95% funding under threat, and, consequently, needs more robust information to continue to secure that level of funding?

Mr Greenway:

With the level of fine is running at about £20 million a year — and we are missing the Chairperson of the Agriculture Committee who normally sits beside the member — we are looking at a £6 million one-off piece of work that will, in effect, remove that fine. Therefore, it is money lost to Northern Ireland through an EU clawback that never comes.

Mr Wilkinson:

To return to the discussion that we have been having about staff levels and redeployment, the GI work is having an impact on that matter and has reduced the numbers of people being redeployed. This is a moving feast, and we have to keep income, expenditure and areas of work under review.

Mr Boyd:

This work has protected about 12 staff in technical posts, and we have been asked not to release those staff.

Mr Weir:

Your paper refers to an anticipated increase in registration income of £1·2 million. How robust is that figure? Is it a general estimate? Are you confident with it? I can think of one or two sources for that figure. It may relate to a possible upturn in the housing market, and I take Stephen Farry's point about north Down; we do not want to see a rash of mock Tudor mansions around the place. However, most people welcome an increase in the housing market. How much of it is due to an anticipated additional clearance of the backlog? What is the breakdown? How confident are you about the figure of £1·2 million?

Mr Wilkinson:

Iain will answer that, because registration falls within his directorate. The management board reviews income, budgets and expenditure every month. One of the standing items of debate is what the housing market is going to do, because that impacts directly on our registration income. The figure is a combination of two things; a forecast and an increase in fees. Iain will comment on that.

Mr Weir:

Will you disaggregate that, please?

Mr Greenway:

There are three aspects, one of which is the assumed implementation of the Land Registry (Fees) Order (Northern Ireland) 2010 Order, which I see is on the Committee's agenda for later today. The Order is due to go before the Assembly on 1 March. It updates the fees to ensure that we have cost recovery in registration activity, which is required by the Land Registration Act (Northern Ireland) 1970. We have been falling short in a number of areas in the three years since the fees Order came in. That is estimated in-year to add around £750,000 to the income, assuming that it comes in on 1 June. Over many years, we have given solicitors three months' warning of the changes, once approved, because they quote their clients in advance for house transactions. That is about £750,000.

Of the remaining £500,000, around £250,000 relates to the removal of the backlogs, because we can only recognise the revenue as cases are completed. That money is sitting in cash in our bank account but cannot be recognised in our accounts. The other £250,000 is an expectation of some modicum of improvement in the housing market, which affects us in two ways. First, if there are more transactions, there will be more income; secondly, if house prices drift upwards because of the ad valorem scale, different values of property attract a different percentage, so there is a double effect. I am as confident as anybody can be of those estimates.

Mr Weir:

I suppose the housing market is moving in a positive direction, but you are making a relatively conservative analysis. You are looking at fairly modest upturn in that regard, which is probably realistic, rather than over-optimistic.

Mr Greenway:

If there was a sudden major improvement in the housing market, we would need to resource up to be able to process the cases that come in. The first impact will probably be an increase in the registration backlog, and that would not come through to income. We will deal more comfortably with gradual changes, rather than rapid changes, as would any resource or skills-constrained environment.

Ms Purvis:

Your paper refers to the record number of court processes that have been an additional challenge. Previously, you provided us with detailed information about the processes involved in pursuing legal action. Will you provide up-to-date figures on the number of court processes instigated by LPS and the costs involved to LPS?

Mr Wilkinson:

Yes.

Ms Purvis:

Do you anticipate that the high level of court processes will be maintained in 2010-11? What provisions have you made to meet any corresponding increase in the cost of collection?

Mr Wilkinson:

That is Iain's area of business, so I will hand over to him to answer that shortly. We have done quite a lot of work on looking at trends and the history of cost of collection. Iain will speak about the detail in a moment. Since the introduction of non-domestic vacant rating in 2004-05, we have experienced a big increase in the amount of time and work in that area of the business.

The reform and the economic recession that coincided with that period led us towards having to put a lot more resource into that area of our business. In a moment, Iain will speak about some of the figures for which you asked. It is a regular feature at our management board and in our planning. We have put in place plans for the years ahead.

Mr Greenway:

The overall cost of collection for this year would have been broadly similar to last year's, allowing for inflation and so on, but for the impact of the equal pay settlement. That is adding about £1 million to the cost of collection, of which about 40% or 45% will be borne by district councils. That is an increase in our staffing. That is assuming that the backdated element of the cost of the equal pay settlement does not impact in-year on the cost of collection. That depends on detailed legal advice on the wording of the equal pay settlement vis-à-vis the penny product regulation. Until we have the final wording of the agreement, lawyers cannot look at the detail of the penny product regulations. However, we are working on the assumption that the in-year impact is about £1 million. Of course, that is an ongoing factor.

Had it not been for that matter, the cost of collection would have broadly stabilised. Members will know that it increased by about 60% over a five-year period to reflect the very significant modernisation of the rating system that direct rule Ministers and then the devolved Administration decided was necessary, and therefore required additional staffing and changes to IT. That is the overall cost of collection.

As John said, the recovery of unpaid rates remains at the top of our agenda. Just before Christmas, we provided members with some figures to the end of November. In December and January, and taking into account that December was not a full working month for the courts because of the Christmas period, we issued 10,486 processes for proceedings on debt, and we had 2,604 decrees granted against ratepayers. That brought the figures for the whole year, to the end of January, to 35,445 processes issued and 13,278 decrees granted. The processes issued figure of 35,000 compares with the figure of just slightly under 28,000 for the whole of last year. Therefore, even at the end of January, we were significantly ahead.

Court processes tend to stop in the early part of March because we are then into the billing process and cannot finalise things before a new bill issues. That number will rise in February by 5,000 or so, so the total will be over 40,000. The figures relate to ratepayers who have not responded to a rate bill or a final demand. As regards the figures of 35,000 processes and 13,000 decrees, what is borne out when I talk to staff in our offices is that when a court process emerges, more than half of the ratepayers suddenly make contact. It is not as though the final demands did not get to the ratepayers, because they are posted to the same address from the same place. Suddenly, people make contact to pay, to agree a payment arrangement or perhaps to give us information, which was not known to us, that changes the demand. However, they made no contact when the bill or when the final demand was issued, so we have little choice but to carry on the process into court proceedings.

The cost, as we said in the note in December, is slightly complicated because once a decree is granted, the costs are recoverable from the ratepayer. Whether we ever see them, of course, depends on payment, enforcement action and the enforcement of judgements office. If a decree is not awarded because the process is withdrawn beforehand, we seek to add the process costs to the ratepayer's bill, but whether or not they are paid is a voluntary decision, so, in practice, those costs are not recoverable. Each year we look at the shortfall, but we always receive some court fees from previous years, so the accounting process is complex. The shortfall is approximately £1·5 million, which is borne by LPS as a cost of collection and, therefore, by all ratepayers.

We have been talking to rating policy division colleagues about the fact that, in Scotland, when a court process is issued, an £85 administrative charge is added by law to the ratepayer's bill. That covers not only the £30 cost of the process but also the extra administrative effort and time that goes into carrying out that process. We estimate that, overall, it costs 2p to collect £1 of rates. When we get into the recovery process, it costs about 9p to collect £1, so all the people who choose not to pay until they receive notice of the court process, or beyond, are being subsidised, through the cost of collection, by those who choose to pay on time. We must continue to explain that issue to people.

If people are genuinely struggling to pay, we are very keen to talk to them and, in almost all cases, we are able to agree a suitable payment arrangement. Consequently, we never get to, and therefore never have to expend effort, on court processes. So, the shortfall is about £1·5 million, although, in our briefing paper, members will notice that, due to the way the figure is treated, the pressure is reduced for LPS. However, that is due to an accounting regulation, and it does not affect the cost of collection.

Ms Purvis:

As you become more successful at recovery, should the cost of collection not be falling?

Mr Greenway:

Two factors are at play. We have old debt that accumulated during 2006-07 and 2007-08 and, as the rating reforms came in, the IT system, which is now fully rehearsed, came in when it was not fully fit for purpose. For about 18 months, we could not pursue recovery. We still have a considerable amount of old, fairly cold debt, which requires a lot of staff effort to track ratepayers down or to deem it, in line with our processes, irrecoverable and, therefore, written off. We must also deal with the economic situation. In the current debt figures, the preponderance of non-domestic debt is very noticeable. Year to year, domestic debt does not shift much, but, as we see daily and weekly in the newspapers, companies are suffering, so non-domestic debt also suffers.

Presently, out of roughly 400 people who are employed in revenues and benefits, 130 of them are in the recovery unit. In the pre-reform days of steady state, high collection levels and not much debt, the collection of which progressed quickly before ratepayers moved and slipped below the radar, we only needed around 20 people. Now, we have 130. That figure must come down, but, in the near future, I do not foresee it doing so. You asked about court processes for next year, and, as we clear backlogs, I envisage the number being broadly similar to this year's figure. The only thing that would reduce the number of staff in the recovery unit would be if more ratepayers were to come forward and agree payment arrangements.

Ms Purvis:

Does the recovery of unpaid rates impact on how you deal with the recommendations in the Public Accounts Committee report or on the implementation of the action plan that you produced in conjunction with PEDU?

Mr Greenway:

Both of those bodies said that the recovery of unpaid rates is extremely important. Out of roughly 1,000 staff members in the agency, which was the figure that Stephen quoted, 130 — more than 6% — are employed to do that work. We want to reach the point at which that figure is much smaller because we are achieving high collection levels.

In simple terms, we have a lot of work to do before we issue a bill. Issuing a bill is largely an automatic process and, if we follow-up promptly, recovery should be fairly straightforward. In fact, we have to put more people on pre-billing to ensure that people on benefits and those who are eligible for reliefs apply correctly. In addition, some schemes, such as non-domestic vacant rating, which must take account of three-month holiday periods and so on, are fiendishly complex to implement. The pensioner deferment scheme will also be horrendously difficult to implement, so a number of full-time staff will have to work on it. We fully support the policy's objectives, but dealing with accounting and legal matters and putting charges on the land register will take several full-time staff. Even though the initial surge has passed, the LPA team requires several full-time staff.

Deferment, depending on the take-up, will again take a team of several staff. That is all embedded in the cost of collection.

Mr O'Loan:
Were you suggesting that, subject to the legalities that have not yet been worked through, some of the burden of equal pay and back pay might be passed on to councils?

Mr Greenway:
That is possible. I do not believe it is likely, but I felt it important to flag that up. It was flagged up in letters to council chief executives that we were waiting for absolute confirmation of this.

Mr O'Loan:
That is the point that you made earlier?

Mr Greenway:
Yes. The equal pay in-year is rightfully a cost for the agency. Therefore, pay for those people working in rating is a cost rightly for cost of collection. As you are aware, there are six years of backdating, and that would have a further profound impact. Councils have been alerted to that. I believe the risk is small, but it will come down a legal agreement and a piece of legislation. We are waiting to hear confirmation of exactly how they interact.

Mr Hamilton:
Can the cost of backdating equal pay six years be passed on to anyone? My understanding is that it is a charge on the centre.

Mr Greenway:
It will be met through the centre. The point is what constitutes a "cost of collection" in the penny

product regulations. We need to be absolutely certain that, in accounting terms, it does not have to be recognised. I believe that the risk is small.

Mr Hamilton:

I am completely lost.

The Chairperson:

Going back to Declan's question, are you saying that some of the councils will pick up that debt? Are you saying that that is the case?

Mr Greenway:

In handling terms, the centre has allocated money for the back pay of the 13,000 staff affected. That is where the pot of money lies which will be drawn on as each individual receives their amount. Departments will only pick up that cost from 1 February 2009. We pay roughly £1 million for rate collection, because we have a lot of these grades in the business.

In the future, the money for back pay will not be found from Departments. However, we have to be absolutely certain that what is legally defined as costs of collection is not necessarily the same as what passes through the LPS or DFP accounts. It is an important but detailed legal point. If the back pay had to count towards cost of collection, it would have to be charged to the councils as increased in-year cost of collection. That is a small possibility, but council finance officers and chief secretaries have been alerted to that potential risk. We are trying to get clarification, but as you are aware, small print of the deal is only crystallising.

The Chairperson:

Will you get clarification of that for the Committee?

Mr Greenway:

Rating policy division is working on the clarification, but it was waiting on the wording of the final agreement.

Mr O'Loan:

I declare an interest as a member of Ballymena Borough Council.

The Chairperson:

Before we move on, I will ask about your responses to some of the questions asked by Dawn. Your paper states that you are facing a record number of court processes. You said that you now employ 130 people in debt recovery, compared to 20 several years ago, because the level of debt has increased. You account for that by referring to the impact of the economic recession. Is it now the case that court proceedings are instigated at an earlier stage? Is that why more are taking place than previously?

Mr Wilkinson:

It is a combination of improvements in performance. As we explained to the Committee previously, in the years 2006-07 and 2007-08, we were developing IT systems to deal with recovery. Collection performance in those years was down, and systems were not operating in the way intended. Collecting older, pre-year, debt has been a catching-up exercise, but we have got the systems up and running, and, as we have improved our processes, we have been seeking to ensure recovery earlier in-year. For example, we were quicker off the mark last year and this year compared with previous years in following up recovery action. It is a combination of factors.

Mr Greenway:

I agree with that.

The Chairperson:

In talking about older debt, you are obviously referring to people who habitually do not pay rates. How differently does LPS treat people who have that legacy of debt, as opposed to those who now find themselves in financial difficulties? Such people may have lost jobs or whatever because of the economic recession and just cannot pay; they not are avoiding paying. Does the system separate those categories? That issue has been raised at committee meetings before, Mr Wilkinson. Some people may have been unable to pay their rates in only the past year or so, and court letters landing in their halls are scaring the wits out of them, particularly elderly or vulnerable people. Does LPS differentiate between the two types of debtors?

Mr Wilkinson:

We have trained staff and put them in place to talk to people who are in difficulty paying their rates bills. The first thing that we have got to do is to ensure that people are claiming all the benefits and entitlements which might reduce their rates bills. We try to differentiate between people who will not pay and those who are having difficulty and are unable to pay. LPS seeks to do whatever it can to help people in the latter category. Sometimes, that means entering an arrangement to extend the payment period. Even though there is an option to put firms into administration, we try to deal with the situation sympathetically.

Not many months ago, I was talking to our staff during a visit to one of our offices in Derry. They had noticed that the recession-led contraction in the building industry had caused a downturn in orders for a number of local builders' merchants supplying materials to construction sites and run those firms into difficulty. Those are the type of issues that we constantly review and consider. We try to help anyone with genuine difficulties to pay their rates. That sometimes means entering into a payment arrangement that impacts on end-of-year debt, which is another issue that we are dealing with at the moment.

Mr Greenway:

I will add two points to that. First, until they contact us, we do not know whether somebody cannot or will not pay. Secondly —

The Chairperson:

May I stop you there, Mr Greenway? I meant that knowing the legacy of debt would indicate whether the difficulty had arisen in the past year or two, since the onset of the economic recession.

Mr Greenway:

Sure, but if somebody does not contact us, we have little choice. I mentioned earlier that there were 35,000 court processes, 12,000 decrees; even allowing for a bit of timing in that, that is 20,000 people who are in a court process that might have been avoided if they had contacted us before it was instigated.

Secondly, but linked, is the fact that most housing benefit claims cannot be backdated before the date on which the claim is received. In a limited few cases, up to three months backdating is allowed under social security legislation, but, in general, the longer people leave it, the longer they miss out on housing benefit, because in almost all cases we cannot backdate. That provides two pleas for public representatives to encourage people to contact us early.

Mr F McCann:

Is the Department proactive in publishing the fact that people may find themselves in difficulty? You have said that there may be a legacy, in many cases, where rate arrears or the rates themselves have not been paid. Has LPS examined how the voluntary and community structures could be used to assist with that? Jennifer was correct in that many people within those 40,000 could be elderly or do not understand the procedures and, therefore, find it difficult to pay their rates.

Mr Wilkinson:

We will seek to enter into an arrangement to secure the payment of rates over a longer period. There is already a great deal of work being undertaken to reach out and communicate to communities and the public, and Iain will give the Committee an overview of that work.

Mr Greenway:

Much of it links in with our work on benefit uptake, because very often one is the flipside of the other. When Brian McClure appeared before the Committee last week, the Committee requested a further written update on the work that responds to the report published by Access to Benefits. That will be provided to the Committee shortly.

There are many events and connections taking place with the obvious organisations such as Age Concern, Help the Aged, the Citizen's Advice Bureau and the Consumer Council to encourage the uptake of benefits, and the flipside of that is that people should come and talk to LPS if they have a problem. If someone applied for housing benefit last year and was turned down, their circumstances, or the limits in legislation, may have changed — the Committee will be aware that savings limit was increased significantly for pensioners recently — and people should not assume because they did not receive a benefit last year, they will not be eligible for it again.

Therefore, all of those messages are going out, and, as means of generating more general public interest, the Minister is participating in an event with pensioners this Friday in Larne on the issue of access to benefits.

Mr F McCann:

The Committee has been advised that work is being undertaken to determine if an administration charge could be added to the accounts of ratepayers, against whom legal proceedings have been instigated. Will you provide an update on any progress that has been made on that?

Mr Greenway:

Any such legislation is developed by the rating policy division, and it has advised that primary legislation would be required to introduce that charge. However, the advice all Departments have received from the Office of the Legislative Counsel is that no more primary legislation will be countenanced in the life of the current Assembly, because of the sheer volume in system and everything dying at prorogation.

We are working with the rating policy division on a number of matters, some small and some large. One of the smaller ones is that the law here does not allow us to send rate bills out until 1 April, yet the law throughout the rest of Great Britain allows them to be sent out in March. This year, 1 April falls in Holy Week and there will be a period when the offices are shut for four days over the Easter period. Therefore, in a very practical sense, we want to change that.

The £85 administration charge will have to go to public consultation as is the case for any legislative proposal. Human rights issues will be raised, but our intention is that consultation process will begin this year to allow legislative proposals to be introduced early in the life of the next Assembly.

Mr F McCann:

The briefing paper states that the recurring cost of the equal pay settlement for LPS will be in the region of £1·1 million during 2010-11, and that that additional pressure will be managed through the 2010-11 in-year monitoring process. Will you provide more detail on the steps that will be taken to manage that pressure?

Mr Boyd:

We have made broad assumptions about our average salaries for next year. We have also assumed that there will be a 3·5% pay deal this year and a 1% pay deal next year, and until those pay deals are settled we will not know how much of an underspend there will be next year. If the pay deal is settled at 2·5%, and if we begin to generate extra income next year, those funds will go towards settling that £1·1 million pressure. There is also a possibility of easements in the Department that could help with that pressure. However, we believe that that pressure can be managed through the in-year monitoring process.

The Chairperson:

OK. There are no further questions. I thank the witnesses for appearing before the Committee today.