



Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Rating Debt Issues:
Land and Property Services Briefing

9 January 2013

NORTHERN IRELAND ASSEMBLY

Committee for Finance and Personnel

Rating Debt Issues: Land and Property Services Briefing

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)

Mrs Judith Cochrane

Mr Leslie Cree

Ms Megan Fearon

Mr Paul Girvan

Mr John McCallister

Mr David McIlveen

Mr Mitchel McLaughlin

Mr Peter Weir

Witnesses:

Ms Judith Andrews Land and Property Services

Mr Alan Brontë Land and Property Services

Ms Patricia McAuley Land and Property Services

The Chairperson: I welcome to the meeting Alan Brontë, the director of mapping and valuation services; Patricia McAuley, the director of revenue and benefits; and Judith Andrews, the head of operational finance in Land and Property Services (LPS). Do you want to make an opening statement to kick us off?

Ms Patricia McAuley (Land and Property Services): I thank the Committee very much for the opportunity to come along this morning. I will go through the briefing and provide a few updates. We received some information at the end of December that the Committee may be interested in.

The first thing to say is that we are all very much aware of the economic climate. That has certainly not made LPS's job in collecting rates any easier.

We have three main targets for rates. The debt target of £145 million was set at the beginning of the year, at a point when we thought that the 2011-12 outcome was £149 million. In fact, the 2011-12 outcome turned out to be £153 million, excluding the rating of empty homes. The Committee may recall that we wrote to you to explain the difference. That means that the challenge in the current year is even greater than we originally expected. At the year end, debt moves across to the next year. That, coupled with the increase in assessments, means that the challenge in collection becomes greater every year. It is one of those strange things: you get to one minute to midnight on 31 March and think that you have done reasonably well, yet at one minute after midnight your debt moves back to £1.4 billion or something of that order. The position at the end of December was that debt, excluding rating of empty homes, had reduced to about £271 million. That is about £14 million behind

the profile, and that profile is based on meeting a target of £145 million. We are, therefore, somewhat behind that at this stage.

The collection target is £1.1 billion. That is a net target; it is money collected, less any refunds that are paid. It is the money that is transferred across to the Paymaster General's account for use. At 31 December, we had collected £986.5 million. That is also a bit behind the year-to-date profile, by £15 million or so. However, it is important to recognise that it is £16.4 million higher than the amount that was collected by the end of December last year. So we have increased our collection, but it has not increased by as much as we had hoped it would with regard to the profile of the amount of money we have to raise by the end of the year.

Our third target is to collect 96.5% of the rate, based on April 2012 assessments. At the end of December, we had collected 89.3%. That is exactly on target. We are currently involved in very significant recovery action, but, as I said earlier, the economic situation is making things quite difficult. At the end of March 2012, for example, we had over 12,000 accounts with which we had payment arrangements, with a debt of somewhere around £10.8 million or £10.9 million. That, of course, was included in the end-of-year debt figure. I want to show you how that has changed. At 31 March 2010, we had 2,008 accounts with a payment arrangement. It basically increased sixfold over those two years. I think that that is an indication of the difficulties that people are having in paying their rates.

At 31 December, we had obtained 15,100 decrees at court, in order to confirm debt. That is 1,650 more than at the same time the previous year.

On the other hand, we are also very conscious that people are having difficulty in paying their rates. As an illustration of that, the housing benefit for rates in the current year has increased by 4.5% over the position last year. In addition, low income rate relief has increased by 9% over the position last year. The actual increase in assessments was about 2.7%. Both of those indicate that the increase in the reliefs is significantly more than the increase in assessments, so it is obviously for other reasons. It is because people are in more severe circumstances than they were previously.

As I said, we are continuing our recovery processes, and we are trying, where possible, to reduce what we refer to as losses to the rate account. We are carrying out inspections of non-domestic properties, for example, with councils. We have carried out a considerable number of those over the past number of months. Somewhere in the region of 1,400 inspections have been carried out. As a result of those, we have issued bills totalling £24 million, which may or may not have been issued if those inspections had not been carried out.

In addition to working with councils for the larger properties, LPS has been doing two separate exercises. In one exercise, our staff are inspecting properties that have a net annual value of less than £2,000, and we have raised bills of about £40,000 on those properties to date. We have also been reviewing all the non-domestic vacant rating exclusions to ensure that the evidence is still there to justify those exclusions being awarded.

During the year, we have employed around 30 temporary staff to carry out additional recovery work. We have been utilising overtime, particularly in recent months, for out-of-hours work to serve notices on people who have not paid their rates. The Committee may wish to be aware that to take a bill through to final recovery, we have to have made three attempts to serve a demand notice. At least one of those has to be out of hours. There is no point in turning up at someone's house three times between 9.00 am and 5.00 pm. We have to go there in the evening or at a weekend to try to ensure that we find people in.

I will say a few words about rating of empty homes. There is a constant churn of properties in and out of empty homes. Collection has improved this year over the position last year, but it is still running quite a bit behind the collection rates on, let us say, normal occupied properties. That is to be expected, given that it is a new policy, and there are also substantial numbers of properties where it is extremely difficult to identify who the owner of the property is or, indeed, what the billing address is. To comply with the court rules, we have to serve the notice on the residential address of where the person lives. Therefore, we cannot go through the court process by serving a notice on the empty property. We have to find the person who owns that property, where they live and serve the notice at that address. Again, that has caused some difficulty during the year.

I know that the Committee was concerned about the levels of write-off. I assure the Committee that we do not write off debt willy-nilly. Debt is written off only after very substantial procedures have been gone through. Decisions are based on factors such as whether the debt is irrecoverable. For

example, it may be statute-barred, and that includes debt that relates to occupancies that have gone into bankruptcy or liquidation. The debt may be uneconomical to collect. For example, it would be uneconomical to seek to go through a court process for a debt of £30 or £40, because the court process itself will cost more than that, and that is not counting the amount of administration time that would be involved.

Of course, there are some ratepayers who simply cannot be traced, even though we are using Land Registry information and have data-sharing agreements with the likes of NI Water, Northern Ireland Electricity (NIE), and so on. We also use, through the National Fraud Initiative, the Electoral Office information. We have a contract with a tracing services company. Sometimes, you just cannot find people. The debt is written off after all of that has been gone through. It is important that the Committee recognises that, of the debt that was written off last year — £21.8 million — half of that was due to bankruptcy and liquidation. In those circumstances, we have no option other than to write off debt. In the current year, as at the end of December, we have written off about £17 million of debt. Over 60% of that is due to bankruptcy, so that suggests that the level of bankruptcy, liquidation, and so on, is increasing as time goes on.

I hope that that has given the Committee a bit of an update. There were some additional figures in that, and we are happy to take questions.

The Chairperson: Thanks very much, Patricia. I was dealing with a case locally in which a lady who had separated from her husband took ownership of the house and was landed with a bill of £5,000 or £6,000. The husband had always taken care of such matters, so it came as quite a shock.

Mr Girvan: Or did not.

The Chairperson: Or did not.

Ms McAuley: She thought that he did.

The Chairperson: Within a year, she was informed of this, and she offered to pay £100 a month, which was all she could pay. LPS said that £250 would be viable, and, within a year, she was bankrupt as a result and now has £3,000 or £4,000 of fees, costs of going through the courts and insolvency service, and so on. In such cases where bankruptcy takes place and the rates may be written off, is there not a more flexible approach to people who find themselves in such extremely difficult situations but are still willing to pay? I would have thought that £100 would be reasonable in such a case.

Ms McAuley: It is difficult for me to comment because I do not know the details of the case. We try to be flexible. Our general procedure is that we would like people to clear their current-year debt within that year. Then, if debt has been built up — let us say over two years — we would generally try to put in place an arrangement to pay off the debt over that same period; in other words, over two years. Obviously, I do not know the circumstances, so I do not know how that would have panned out in that particular case.

We are sometimes caught on the horns of a dilemma. You could have circumstances in which people are paying. In that case, £100 a month seems, all other things being equal, to be a reasonable enough amount. Sometimes, you get cases in which people have debt of £6,000 or £7,000 and they want to pay it off at £20 or £30 a month. That is not going to run. I am not saying that that was necessarily the situation in that case. We are in a bit of a dilemma. I hope that we try to be helpful to people where we can. At the end of the day, however, we have a statutory duty to collect the rates. We try to balance that as best we can. We look at individual circumstances. Sometimes, it may appear to people that we are a bit harsh, and harsher than we might otherwise have been. We do our best to try to balance it. There are cases in which we have entered into payment arrangements, and people have broken them. Therefore, we are much less likely to be flexible the next time round. As I said, it depends on the individual case. We try to be flexible, but, at the same time, we have to collect the rates. It can be very difficult. We are always willing to enter into a discussion with the ratepayer or a representative.

The Chairperson: The previous Committee was supportive of an allocation of additional funds of £5 million per annum to establish a firm funding baseline for the agency. There was some disappointment that, in the October and January monitoring rounds, almost £2 million relating to staffing issues was returned by LPS. How much of that funding was returned as a consequence of

vacant positions not being filled? The paper states that it is not feasible to bring in additional staff this year. Is it not the case that the funding should already be in the baseline to retain such staff for the next two years?

Ms McAuley: Brigitte Worth talked to the Committee about reduced requirements. I think that the LPS baseline — it was before my time — had not been set for a number of years. That £5 million went back in. I think that the amount that was surrendered in June in relation to salaries was just under £1 million. The overall amount included capital for various projects and was about £1 million. There were various reasons for that right across the business. In my directorate, the bulk of it was to do with work that we had expected to do earlier in the year, for example on welfare reform, but the Welfare Reform Bill did not progress as quickly as we expected. In addition, Minister McCausland more recently got an agreement with the Department for Work and Pensions that universal credit would not be introduced here until April 2014, which pushed back the date by which we needed to have staff in to look at housing benefit. So some of the areas in which we gave the money up was due to work being postponed. That is not work that will not be done, but there were some projects that were pushed back a bit due to other things happening.

Throughout the year, we recruited about 30 additional staff, as I said earlier, and they have been working on the additional recovery that we have had to do and some of the out-of-hours work. Alan, do you want to add anything?

Mr Alan Brontë (Land and Property Services): We have used our budget as best as possible. As Patricia said, we have used temporary staff where appropriate. Indeed, at some stages, we were over 3% over baseline in our staff numbers. So staffing was available to the businesses and, certainly from the mapping evaluation area and, as Patricia said as well, from revenues and benefits, our businesses did not suffer this year due to us not using our budget. There are lots of registration, business involvement and businesses services, which are the other facets of LPS business. So the Committee should not be concerned that business has suffered. However, it takes time to fill posts, and there is a lag there as we push through. There are reviews of staffing to ensure that we have the most efficient staff profile. There are other reasons, but, as Patricia said, virtually £1 million of that was capital, and those projects will come through; they are just in the procurement process or they will be procured in a different way.

Mr Cree: On that point, standing back and looking at it from a distance, it seems incongruous that you are letting staff go while highlighting the need to recruit staff. There are different departments in Land and Property Services, but I would like to be reassured that there is not a silo mentality and that people are being retrained in the organisation to provide more flexibility rather than casuals being brought in and people being let go, and so forth. That is the first point.

The second point is something that you raised, Chair: the uneasy tension between getting payment agreements with people, and forcing them into bankruptcy. That is really what matters. I guess you could argue that it is logical to say, "Look, let us get some of that money back rather than simply forcing the case through and getting nothing. At least then we can write it off." Do you have a procedure to handle that particular dilemma?

Finally, in all of the backdrops, I see you mentioned the 60% figure. What percentage of that percentage does LPS generate or initiate itself?

Ms McAuley: On the issue of staffing, it is not a question of us letting people go. Vacancies can occur for all sorts of reasons, people may retire and people may be promoted. There are lots of very good reasons why people move and vacancies are created. The system then just takes time to fill those vacancies. As I said earlier, a good deal of the money that was given up in my area was not for vacancies but for additional staff to do work, and that work itself was then postponed for a number of months. So the budget that I had set aside for those additional staff was not used in those months. Some of those staff have now been recruited and will be there throughout the rest of the year and through to next year. Some of the staffing is money is for vacancies, but sometimes there is nothing you can do about vacancies. People move on, and you simply have to then go through the process to try to fill them. As I said, some of the other funding was for additional staff.

In terms of the dilemma that you mentioned, we do have guidance. We have guidance for staff on payment arrangements, what we would expect and how they should approach a situation where someone is looking for a payment arrangement. There are also provisions in that guidance for a staff member in particular circumstances to refer the situation to a manager or someone in a position of

higher authority if they think that more flexibility is needed than the guidance is able to give. So there is guidance for staff to help them in that dilemma.

We have some information on bankruptcies.

Ms Judith Andrews (Land and Property Services): We do. I can give you an update on how this year has gone. Patricia referred to the fact that over 60% of the write-off total was due to bankruptcies, and we have written off £17.5 million in the year to date. When we say "bankruptcy" we are talking about the spectrum of bankruptcy, which includes liquidations, companies in administration, dissolved companies, individual voluntary arrangements and company voluntary arrangement. That over 60% covers the full spectrum of bankruptcy.

About 14% of the write-off total relates to normal process write-offs. We use a number of criteria such as statute-barred debt, we occasionally write off debt on legal advice, and debt is sometimes uneconomical to pursue. Those examples make up the balance. Therefore, 65% of the write-off total is due to bankruptcy and 14% is the main business write-off. The rest relates to statute-barred debt, which is about 10%, and other examples such as debt that is not pursued after legal advice and debt that is uneconomical to pursue.

Mr Cree: Can you give me a total figure of that bankruptcy figure that was "initiated" — I think that was the term you used — by LPS?

Ms Andrews: We do not always initiate bankruptcy; we are not always the petitioner. I have no analysis of what has been taken forward by LPS as the main petitioner in bankruptcies.

Ms McAuley: I think that it is fair to say that the bulk of that is when LPS joins with another organisation that has taken a bankruptcy petition. We can certainly look to see whether we have any figures; we do not have anything with us today.

Mr Cree: It would be useful to know that. That is part of the process; in fact, it is the endgame. If possible, I would also like to see a copy of the procedure that you mentioned. That will allow me to see how people decide whether they pursue the matter through an agreement or use other methods to use up time, so that the debt becomes statute-barred. People have come to me who had cases taken against them that were initiated by LPS despite the debt being statute-barred. There is a whole woolly area, and I am not completely satisfied about how it actually works in practice.

Ms McAuley: I think that it is true to say that there is very little statute-barred debt, in that it is too old. The bulk of the debt is from the current year and the past two years. Not that much of the debt is very old debt and statute-barred, because it is over six years old. That has been an area in which LPS has improved over the past few years. The debt is now much younger than it would have been had we been sitting here talking about it three years ago.

Ms Andrews: Over the past number of years, we have made concerted efforts to review the debt. Our account moved from a cash to an accruals basis and, with that, we introduced provision for bad debt. We did a lot of analysis on the debt to understand its age, its type and the likelihood of collection. If you look at our accounts, you will see that there has been a trend in increased write-offs over the past number of years. That was done to address the old and more difficult debt.

As Patricia said, we are now in a circumstance in which more than half of the bankruptcies and liquidations that come on stream in year relate to stuff that comes to light during the current financial year. It is a different write-off challenge as we go forward.

Mr Girvan: I appreciate that a scheme was introduced for those who wish to defer the payment of rates and make a charge against the property at the time of disposal. Does LPS make charges against a property when it is being disposed of and the conveyancing process is being gone through when it is found that there is a debt associated with it that becomes redeemable on the sale or disposal of that property? Is LPS able to recover that money? It might not be within the year; it could be 10 years later. Having purchased some properties in the past, for which there were associated debts, you could see exactly what was coming forward. Some of that money ended up going to people who had forgotten about it, but it would be great to have it.

Ms McAuley: Yes, we do take that approach. After we have gone through the court process and had a decree awarded, we look at the debt and make a decision on whether it should move to the Enforcement of Judgements Office (EJO). The Enforcement of Judgements Office has a number of means of collecting the debt, such as orders charging land. I will confirm this to the Committee, but my recollection is that if the debt goes through the EJO process and there is an order charging land, that order can last for up to 12 years. So, if the property is disposed of within that period, the debt would be collected. When we send something to the Enforcement of Judgements Office, it can look for an attachment of earnings order, for example, if it has found somebody's employer, or it can make an order charging land. I think that there are a number of other avenues that they can pursue. Basically, it will decide which it thinks is the most appropriate in each case.

The answer is that there are rate accounts against which we have orders charging land.

Mr Girvan: The other point is on intentional dereliction. With the rating of empty commercial and residential properties coming in, has the Department had an increase in its workload through visiting more properties to get them off the rating list? I have witnessed that happening. Some people say that it is very easy to do certain things to make a property uninhabitable, but if you want to put it back into use, it can be done very quickly. Such measures save people paying rates for a period. There is a particular building in the middle of one of the towns that I represent. The owner of that property decided to remove its roof, simply because he did not want to pay £5,500 in rates. That was his way of dealing with it. He felt that he could put a roof on it again when he needed to. That creates a problem, and I wonder whether that kind of thing has increased.

Mr Brontë: There has been a significant increase in the number of applications to the district valuer seeking the valuation of a cottage or shop. In particular, the number of applications that we have been dealing with for the rating of empty homes has significantly increased. You can see the numbers in progress in table 4 of our paper. At the end of 2012, 1,753 applications to the district valuer were in progress. That figure is now down to about 1,000. In April 2012 alone, we received 1,000 applications to the district valuer. Not all related to the rating of empty homes, but the majority did. I do not have the exact figure, but I think that something of the order of 6,000 to 7,000 cases were dealt with last year.

That has to be viewed against a valuation list of 740,000 domestic properties, so you have to keep this in scale. I am answering your question by saying that there has been an increase, which I expected because no one was paying rates for properties that were sitting vacant, such as granny's old cottage over the hill, or whatever. There was no bill for it, so why would anyone challenge the valuation? However, when we find out who owns properties, you would be amazed by the number of applications that challenge a valuation and ask for a property to be taken off the valuation list. A property will be taken off the valuation list only if it is considered that it cannot be put back into a reasonable state of repair. Some may not be habitable immediately, but we can assume that a reasonable amount of repair would make them so. Any property that sits empty for a couple of years will need some work done. The question that we ask is this: would it be capable of beneficial occupation with a reasonable amount of repair? Those cases are looked at in great detail.

Mr Girvan: That leads on to my next point. You might not be able to give us the detail now, but perhaps you could send to the Committee the number of such properties that you had to visit following requests to remove them from the list. How many, or what percentage, were removed and deemed uninhabitable?

Mr Brontë: We will certainly be able to tell you how many domestic properties we took off the valuation list in, say, a year.

Mr Girvan: What about the number of requests for removal and how many of those succeeded?

Mr Brontë: We will try to get you the best possible information.

Mrs Cochrane: Thank you for the presentation. I have a couple of queries. One is about some of the older debt, but not more than six years old, on properties vacant prior to the rating of empty homes. You mentioned data sharing arrangements with the likes of Northern Ireland Water and Power NI, or NIE, as it was. Do you use that only when trying to trace owners? I have a constituent who is being taken to court and chased for a debt from a couple of years ago because of being unable to prove that they were not there at the time. At one point, they were told by LPS that data sharing should have proved that absolutely no electricity was used in the property. For whatever reason, Power NI has

been slow in coming forward with that information, and the person ended up having to go to court. Would you use data sharing for that reason as well?

Ms McAuley: In those circumstances, in which somebody says that a domestic property was vacant a number of years ago, a vacancy should have been applied for because, obviously, we cannot go out now and determine whether a property was vacant three years ago. If someone can give us, for example, an electricity bill showing no usage, or if it is a rural property for which the water is metered and they could show that no water was being used at that point, we would certainly take that into account as evidence that a property was vacant.

Mrs Cochrane: It is not you, however, who does that through the data sharing arrangement.

Ms McAuley: Not for that particular type of circumstance. We would do that when looking for the owner or occupier of a property. However, in the circumstances that you described, it is for the individual to prove —

Mrs Cochrane: The onus lies on the owner.

Ms McAuley: — that the property was vacant.

Mrs Cochrane: The information given to my constituent caused some confusion.

My other query is about chasing debt from people who have signed a tenancy agreement stating that the landlord will pay their rates. Someone is told, for example, that their rent is £300 a month, and their tenancy agreement clearly states that they have signed through a letting agency. At the end of the year, however, they find that the landlord has not paid the rates because the property's capital value is over £150,000. Have you any idea whether that is a really big problem? What are you finding?

Ms McAuley: It is certainly an issue that we come across, and we have had some very difficult cases over the past couple of years. The first point to make is that the rating legislation takes precedence over a tenancy agreement. So having a tenancy agreement does not necessarily mean not having to pay rates. We should not get carried away. Where there are tenancy agreements and an individual tenant pays the landlord, for example, £100 a week for rent and rates, in the vast majority of cases the landlord pays those rates. I do not want to make this into a bigger problem than it is, but there are certainly cases in which individuals have tenancy agreements that state that that is the case, but we subsequently discover that the landlord has not paid. When we chase the landlord, he or she will say that so-and-so was in the property and that they should be paying. So we contact the individual, who says that they paid the landlord that amount of money. There are cases in which that happens.

The Minister has a proposal on the table on which he has consulted. There is some confusion about the value of a property and the question of whether the rent is being paid quarterly or more frequently. The Minister proposes to change that so that there will simply be a threshold below which it will be the owner's responsibility and above which it will be the tenant's responsibility. That would remove the question over the quarterly or weekly payment of rent, or whatever, and it should make clearer who is liable to pay. There have been some very difficult cases.

Mrs Cochrane: I have a constituent whose tenancy agreement, which was provided by a very well-known estate agent, clearly states that rates are to be paid by the landlord.

Ms McAuley: Our difficulty is that if we go after the landlord in court, we will be told to disappear because the legislation does not allow us to go after landlords in those circumstances. The law is very clear: it is the tenant's responsibility. That is why we sometimes end up going after the tenant in those cases.

We have a shortfall in service policy. I do not want to mislead Committee members, nor do I want to be flooded with applications, but we may consider some sort of discretionary reduction in some circumstances, depending on what has happened, how it has happened and whether LPS contributed by, for example, a long delay in sending out a bill. We will look at cases under our shortfall in service guidelines to see whether there is anything that we could conceivably do on a discretionary basis.

The Chairperson: Will you clarify what you said about a threshold in the measures that the Minister is looking at?

Ms McAuley: I will probably get this the wrong way round. The threshold is £150,000. If the value of the property is below £150,000, the landlord pays. However, there is also a condition relating to —

Ms Andrews: The frequency of the payment of the rent. I think that it is quarterly.

Ms McAuley: However, if rent is paid more frequently than quarterly, even though the property's value is below £150,000, it is the tenant's responsibility. To try to clarify that, we want to make it a simple threshold, below which person A pays and above which person B pays.

Mr McCallister: Further to Judith's point, the tenancy agreement is a legally binding contract when establishing who is legally responsible. Does it not seem unfair to pursue the tenant if the landlord has —

Mrs Cochrane: The Rates Order takes precedence.

Mr McCallister: I accept that, but it seems remarkably unfair when someone can demonstrate who is legally liable.

Ms McAuley: It is one of those areas in which what you think about what is fair or unfair is not necessarily what the law tells you. We have to follow the law, but I understand your point.

Mr Cree: It is a civil issue, so tenants would have to seek redress.

The Chairperson: How much discount do landlords get for collecting the rates?

Ms Andrews: It is 12.5%.

Ms McAuley: Or 7.5%.

Ms Andrews: It depends whether article 20 or article 21 applies.

Ms McAuley: The discount is 7.5% under article 20. The 12.5% relates to where the liable person is the tenant, but the landlord voluntarily agrees to be the responsible person and pay the rates, even though he is not the liable person in legislation. That provision was introduced because, certainly in some areas — look, for example, at the Holylands in Belfast — there are an awful lot of transient tenants, and LPS has to try to pursue people who are moving in and out all the time. However, if the landlord takes responsibility for the rates, he gets a discount to reflect his going to the bother of collecting them instead of us having to go out and chase numerous transient tenants.

Mr Weir: Thank you for your evidence. When Paul was giving the example of the lengths to which some people will go, I was going to say that the guy in Ballyclare was obviously "roof-less" in his desire to avoid rates. You may all groan appropriately at this point.

Mr Mitchel McLaughlin: Did you say "roof-less" or "ruthless"? *[Laughter.]*

Mr Weir: I was deliberately ambiguous, Mitchel.

Before coming to my main point, I want to say something about a problem that I have come across, and it is one that I am not sure how we can get round. There is a difficulty for someone trying to prove that a property that they owned for a period was empty if, for example, a house has been inherited from a family member. Maybe a mother or father has spent time in hospital and then died, so the house may not have been lived in for two or three years. Quite often, however, the tendency for most people is to go into the house periodically to, for example, turn lights on to give the appearance that someone is in because they do not want to leave it potentially vulnerable to burglary. The problem is that doing so attracts an electricity bill, albeit much reduced, which may make it difficult to prove that the house was empty. I am not sure how we get round that.

I want to probe you on another point, which is the identification of new empty properties. I know that, a couple of years ago, an initiative was started to work alongside councils to try to co-operate on a local basis. There is a good argument that councils have an even greater level of interest in rates than central government. Although rates are very pertinent to you, they make up a very small percentage of central government's overall income, whereas pretty much all of councils' income comes from rates. Indeed, roughly about half the rates go to local councils. I wonder whether you could update us on the current level of co-operation with councils. How does that operate? Is there universal co-operation across Northern Ireland or is it sporadic? Do some councils work more closely with you than others? Will you expand on that?

Ms McAuley: First, I want to mention that, for domestic properties, unless the vacancy happened before 1 October 2011, whether the property is vacant or not does not matter in terms of the amount of rates. I just want to make that clear.

Mr Weir: I understand that, but I have come across a number of historical cases.

Ms McAuley: Absolutely.

In the past couple of years, the working relationship with the vast majority of councils has improved substantially. As I mentioned briefly at the beginning, we are undertaking a number of inspections, with councils, of non-domestic properties that are vacant and attracting vacant rating. Currently, 14 or 15 councils have carried out a substantial number of inspections, and we have also carried out inspections. Another six councils are involved, making 20 overall that have agreed to work with us on council inspections. As I said, to date, we have inspected just over 1,400 properties — that is between the councils and LPS — and those inspections have generated bills of about £24 million. Just under £12 million of that will be income for councils, which is substantial.

Mr Weir: I would like to follow up on that. Without being too cynical, it is clear, at least on the face of it, that the time frame for processing a new house has fallen considerably over the past three years. If I were being cynical, I might ask how much of that was down to the housing market being at quite a slow and low ebb and the number of new houses coming on to the market decreasing massively in the past five years.

Ms McAuley: I will let my colleague answer that one.

Mr Brontë: The number of new houses coming to completion is drastically different. For the record, the number of houses that have entered the valuation estate is in table 5 of our paper.

Mr Weir: I see that the number has roughly halved from about three years ago.

Mr Brontë: It is interesting that already this year — we are nine months into it — almost 5,000 properties have entered the valuation list. I think that we will end up at slightly over 6,000 this year, which surprises me somewhat.

That takes me on to my second point. As discussed, the rating of empty homes and the nature of putting a new property on the valuation list have changed. As you are aware, a property can go on the valuation list before it is technically complete. Where Building Control would have given a completion certificate in the normal way, there is now a process whereby, if a property could be completed within a three-month period, we can issue a completion notice. When that takes effect, the property can go on the valuation list. Generally speaking, that is when the property is weatherproofed and weather tight, but it still may take some time to finish it. That leaves us with more properties to inspect, and some of those may not have changed in the past six or nine months.

We get good co-operation from councils. They provide us with details of properties that we describe as completion notice ready. In other words, they signal to us that a property could be completed within that three-month window, and that is very helpful to us. We still have a legacy group of 2,000 or more properties around Northern Ireland on which work has entirely stopped and no Building Control action will have taken place. It would be useful to get a little more help with those properties, but we certainly value that help from the councils.

We all know of many properties on which work has stopped, but they are well outside the three-month window. However, we have to be sure that, if work starts at some stage, we pick up those properties and get them on the valuation list.

The number of properties is down, but we are in a difficult period because of the recession and the introduction of the rating of empty homes. As a result, there is more churn in the system, even though we are valuing fewer houses. I hope that that answers your question.

Mr D McIlveen: I need a little assistance with some of the definitions in table 1. Does the term "non-domestic" include commercial premises?

Ms McAuley: Yes.

Mr D McIlveen: So we are not just talking about homes because that term covers commercial premises.

Ms McAuley: Yes. The "domestic" properties are homes. The "non-domestic" properties are, basically, everything else.

Mr D McIlveen: On the back of that, I have two very quick questions. I will ask them together to save time. Returning to Judith's point, I would like to know whether those registered as ratepayers but not living at the address are considered domestic or non-domestic. My second question is about rates exemptions, particularly for charitable organisations. Where does that potential loss of revenue slot in? Is it a write-off or is it placed in a different bracket that perhaps is not detailed in the figures in front of us?

Ms McAuley: Alan may want to come in on your first question, so, if you do not mind, I will take your second question first. The exemptions are not treated as write-offs. We assess all the properties at the full rate and calculate the losses. The losses take into account what we estimate that we will pay out at the beginning of the year or what we estimate things like non-domestic vacant rating, low-income rate relief and all the domestic reliefs and small business rate relief will do. We then get down to what is a collectable amount. We use that figure as the basis for what we can collect from people. Those reliefs, discharges, and so on, are within that gross figure, but they are not reflected in the debt figures, for example, neither are they reflected in write-offs, and so on, because we have taken them into account before we do that calculation.

Ms Andrews: May I add a wee bit to that? In formulating the rates assessments due, we have what we call above-the-line adjustments and below-the-line adjustments. Above-the-line adjustments apply to where there are exemptions, which are for all the derating. The likes of charity shops, industrial premises and sports and recreation will be there. That gives the gross rate income, which is the amount of rates due. The below-the-line losses are linked to vacancies, write-offs, and so on. The ones that you referred to are above the line. Patricia talked about the £1.4 million due each year. That is net of exemptions but does not include factors such as vacancy losses.

Mr Brontë: Domestic and non-domestic, as presented in our paper, refer to property. Everything other than a residential property is what we describe as non-domestic. There is a non-domestic rate in the pound, and the capital value in domestic has a different rate. That is where the separation is. It is not the nature of the debtor that determines that; it is the nature of the property. That is how the rate debt is described in our breakdown.

Mr D McIlveen: Alan, does that mean that, if landlords were included, there could be commercial interests within the domestic rate debt?

Ms McAuley: Domestic landlords will be on the domestic side; people who own and rent out shops will be on the non-domestic side.

Mr D McIlveen: I mean those who rent out homes.

Ms McAuley: They will be domestic, because it is the home that determines whether the debt is domestic or non-domestic. It is the property.

Mr Brontë: It is the nature of the property, not the nature of the debtor.

Mr D McIlveen: So the domestic side could, in theory, include limited companies. If a landlord is a limited company with 10 properties and decides not to pay his rates, the debt could still be under domestic.

Mr Brontë: It could be.

The Chairperson: Thank you very much.

Ms McAuley: We are very happy to engage with representatives. If you have a constituency issue, please get in touch with us. I would rather sort it out before it gets to court.

Mr Girvan: Just before we finish, I have one more question. I appreciate that a revaluation of properties is taking place. What measures are being put in place to ensure that we do not end up with a large number of challenges in 2015-16? That will probably happen anyway, but are there measures in place? I have seen it take years to get something sorted out in a certain council area. Take the issue with the Tesco store in Antrim, for argument's sake, and how long it took to resolve that.

Mr Brontë: I refer the Committee to my Public Accounts Committee evidence. *[Laughter.]* There are two issues there, Mr Girvan. You mentioned the volume of challenges. We will certainly try to carry out a lot of consultations with professional and trade bodies to ensure that, on the whole, people feel that we have dealt with their new valuation in a fair way and that it accurately represents the rating hypothesis of value at that point under the legislation. I cannot do an awful lot about foreseeing the volume of challenges that will come through. However, historically, Northern Ireland has a very low percentage of challenges, compared with the rest of the United Kingdom. Over two revaluations in 1997 and 2003, for example, there were challenges on about 5%, 6% or even 12% of valuations. That compares with 50%, even 60% in some cases, in England.

The second part of your question was about how quickly we can deal with those appeals, whatever the percentage. That is a different question. One issue that we had was to do with two revaluations in fairly quick succession. When we had the 2003 business revaluation, we were already working on the major domestic revaluation. In many ways, the difficulty related to the resourcing and programming of the two. I hope that we can say to the Committee that we will put in place lots of different measures. We cannot take away people's right to challenge. However, through the better management of process and planning, I hope to deal with challenges in a better way than we did previously.

The Chairperson: Thank you.