



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Strategic Review of Rate Collection and
Recovery: Land and Property Services

12 March 2014

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Ms Michaela Boyle
Mrs Judith Cochrane
Mr Leslie Cree
Mr Paul Girvan
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Peter Weir

Witnesses:

Mr Mervyn Adair	Land and Property Services
Ms Patricia McAuley	Land and Property Services

The Chairperson: I welcome Patricia McAuley, director of revenues and benefits reform in Land and Property Services (LPS), and Mervyn Adair, director of revenues and benefits operations in LPS. Do you want to make some opening comments before we put questions to you?

Ms Patricia McAuley (Land and Property Services): Yes, thanks very much, Chairman. If you do not mind, Mervyn and I will both say a few words.

In a statement to the Assembly on, I think, 2 December, the Minister announced that a strategic assessment of rate collection and recovery would be carried out. The context was the challenges that LPS has faced since its inception, including the economic climate in the past few years. However, despite the challenges, cash collection has continued to increase and debt has stabilised. LPS has had to manage and implement over 40 reforms to the rating system. That is in marked contrast to GB, where there have been very few changes to council tax since it was introduced in 1990.

The other big issue is that there are significant challenges coming down the road, some of them in 2015. Brian talked about rate rebate and the non-domestic revaluation. There is also the impact of the review of public administration, and, to be honest, those are only the big things that we know about. There could be more in the pipeline that we do not know about, and, undoubtedly, we have to be prepared. That was one of the main reasons why we needed to carry out the assessment/review: we need to understand whether we are ready to meet those sorts of challenges.

The objectives of the review are set out in the paper: to carry out an appraisal of LPS's rating performance; provide an assessment of the effectiveness of our current processes; and carry out an appraisal of how recommendations will impact on LPS's strategy and readiness for the changes ahead. The report was presented by the consultants to LPS at the end of January, the work having

finished on schedule at the end of December. The report recognises the significant issues and challenges that LPS has faced and says that LPS is ready for a step change in performance. It says that LPS has the capacity to be not just good but excellent. Quite honestly, we will have to be if we are to meet all those challenges. The findings confirmed that we have been doing the right things in the improvements that we have put in place and that we are moving in the right direction but need to do more.

The report highlights four areas that it calls opportunities for improvement, which, effectively, are its recommendations. The four areas are organisation and people; customer; process; and technology. The recommendation on organisation and people is, essentially, about the increased integration of LPS; better end-to-end process design, which is from the start of the process right through to the bill payment and recovery; sharing of objectives across LPS; the need for better understanding throughout LPS's business of collection and recovery; and a proposal that we look at a single organisational structure as the ultimate solution. Mervyn will say a few words about the other areas in which recommendations were made.

Mr Mervyn Adair (Land and Property Services): It is important to say that the consultants brought with them a wealth of experience in dealing with public sector and private sector collection organisations, and that drove a lot of the recommendations.

A key recommendation is on what the report calls customer segmentation. That is about gaining a much better understanding of ratepayers' behaviour and payment patterns and, in many respects, not adopting a one-size-fits-all approach: for example, you treat a ratepayer who constantly defaults on a payment arrangement differently from someone who has a good payment history but misses one payment. It is very much about developing approaches and strategies to deal with different types of ratepayer and trying to understand more about "can't pay" and "won't pay". The same section of the report also mentions trying to increase penetration on direct debit. The amount of direct debit from ratepayers in Northern Ireland is a lot lower than they expected. We have this difficulty because there is a 4% discount for the lump sum payment, which some people could argue would discourage direct debit, so there is a bit of a dilemma there.

The key thing coming out under processes was about trying to further automate those. One thing that we had started around the same time as the review was to look at our interfaces with the Courts and Tribunals Service and with the Enforcement of Judgments Office (EJO), which generates an enormous amount of paper. Part of that is our developing an electronic interface with the Court Service and EJO where a lot of the information will now flow across systems and will create a much more efficient flow of paper. They were very complimentary on the early work on that and encouraged us to see that through. Also, there is an enhancement of the workflow, as it is called, on the IT system, and we are ensuring that that work is pushed by the computer system more so than by paper.

The final section, as Patricia said, was around technology. The key thing that came out of that was around data quality and improving it. First, we need to capture information as early as possible in the process, particularly at valuation stage, and then to develop controls on the computer systems in order to ensure that, when information moves from, for example, the valuation system to the rating system, there are controls in place to make sure that the data quality is protected and is top quality. That then aids the whole process, both in billing and ultimately recovery, if payment is not forthcoming.

I think that that covers the main points.

Ms McAuley: What have we done since being presented with these pieces of paper? We have drawn up, from these opportunities for improvement, a list of short-, medium- and long-term actions that need to be taken. We have already started on some of the short-term actions, such as, as Mervyn mentioned, the work with the Enforcement of Judgments Office and the Court Service to make that interface electronic as opposed to bits of paper being sent back and forth.

We have also been looking at things like SMS text messaging. We already do this to remind people that an instalment is due, but we are now going to text message them when they have not met their instalment and have not made the payment, and we will do that within a couple of days of it happening, so that we can start to engage with people much earlier.

We have also been looking at training opportunities. As the Committee will be well aware, we have had a substantial increase in the past few years in the number of companies becoming insolvent, bankrupt individuals, company administration and individual administration. We need to do more training of staff in that area, because there are a wide range of types of bankruptcy/insolvency, and

how they are treated in rates legislation is different depending on what type of approach is being taken. A lot of those things are already under way.

It is important also to say that one of the really positive findings that came out of the report was the level of staff commitment. That was really right up at the very top end, and I think that that will be a great advantage to us in moving forward and making some of these changes and improvements. We are currently considering the recommendations, as I said, and we are drafting a project plan. We will be putting that in place and driving forward the improvements that need to be done, but the Committee can take some reassurance from the fact that we are not waiting until we have dotted all the i's and crossed all the t's in the project plan. We are already starting to do some of the work that was identified, and we will take that forward as quickly and effectively as we can.

The Chairperson: Thank you. The end of the paper mentions that LPS is currently considering the final draft report and its recommendations. Why has the report not been provided to the Committee up to this point?

Ms McAuley: It is an internal report, and it would be very unusual for such a report to be provided to the Committee. I would certainly be happy to provide the Committee with a list of the recommendations or the actions that we intend to take in relation to those, if you would find that helpful.

The Chairperson: That would be useful, yes.

Ms McAuley: I cannot do it this week, because we will have to draw the list up; but once it is done, I am happy to provide it to the Committee.

The Chairperson: That is fine.

The SMS is certainly interesting. Just out of interest, is there any particular cost attached to that service?

Mr Adair: There is a cost. I cannot tell you off-hand, but it is extremely low.

Ms McAuley: It is very low. As long as we have —

The Chairperson: Could you use that more regularly?

Ms McAuley: We currently have an option for people where we have their mobile phone number. We can text people and say, "Do not forget, your instalment is due next Monday", or whenever it is. Where we have people's mobile phone number, we will start to send them a text on Tuesday or Wednesday to say that their payment did not arrive. As Mervyn said, there is a cost, but it is very small. It is much less than sending them out a letter and having to post it.

The Chairperson: Could you send an SMS message to me reminding me when the discount is up?
[Laughter.]

Ms McAuley: There is a big notice on the guide to the rates. I am trying to remember. I think that the discount deadline is 2 May this year.

The Chairperson: Those things tend to end up on the mantelpiece and are forgotten about.

Ms McAuley: That is why we need to look at people's payment history. For example, there are people who always pay when they get red bills, whether it is a red rates bill or an electricity bill, or whatever. There is no point in wasting resources to go after people when you know that they will always pay when they get the red bill. There is a bit of that customer segmentation and trying to work out what people's payment patterns are. As Mervyn says, there are people who pay regularly every month and, if they do not pay, it means that something has happened to stop them paying, whereas there are other people who will maybe pay for three months, stop, then start again and then stop again. Those are the sort of people that we need to engage with the first time round and to not allow it to drag on, because that is how debt builds up, and then it is much more difficult to collect it.

Mr Weir: I am kind of intrigued at the idea of somebody essentially getting the message, "We know where you live; you owe us money".

Ms McAuley: We know where you are.

Mr Weir: I think that it will be helpful for us to get the action plan. You mentioned that it is a work in progress, but, as part of it, you are producing a project plan or something of that nature. The important thing is that it is not just a plan that effectively either sits on the shelf or is implemented fairly strongly. Do you intend to have a project board or some form of team that will meet regularly to have an overall review of where you are? Maybe I have got it wrong, but was reference made to 40? What was the number of recommendations?

Ms McAuley: I do not think that I have actually counted them, to tell you the truth.

Mr Weir: Maybe I just imagined that number. Whatever about the action plan, there is a list of things to be done, and then with each of those there needs to be a traffic light system or some form of assessment of how far along you are on each one. Therefore, you can take a wider, holistic look at it and say that, of whatever number of recommendations, so many are more or less completed, so many are well in progress and we need to put more resources or effort into some particular areas.

Ms McAuley: Yes, there will be a project plan, and we intend to have a steering group within LPS to drive that forward. I suspect that the departmental board will want to see some sort of progress, as will the Minister and the Committee.

The other thing to say is that, although we have talked briefly about some of the shorter-term actions, there are other, longer-term actions. For example, our rating IT system has to be replaced. That is a four- to five-year project, and that will be on the project plan. That will obviously be a very big project, because it is a big system and there is a lot to think about. I am not very IT-literate, so I think of the rating IT system as a big calculator. It has lots of information in it, but, at the end of the day, it takes a value and multiplies it by poundage and you get your bill. I am not well up on this stuff, but we need to be thinking about why, in the future, people would not have an app on their phone so that they can pay their rate bill. We need to be thinking about all of that because our ratepayers of the future will be thinking in those terms. They will not be thinking about getting a piece of paper; they will want to be able to access their rate account online and to pay it in the same way that we pay our phone bills today. So, all of that will have to be considered in the longer-term context. However, it will part of the overall plan.

Mr Weir: By definition, certain items in the action plan will be, of necessity, long term and take a long time. There will be others, the more low-hanging fruit, which you will be able to do quickly. That, in part, will come to the approach that you seem to be taking when you say that, even before we have a project plan, here are a few items that we can commence and try to start to tick the boxes. I think that would be helpful.

Mr Adair: They identified that "low-hanging fruit". The one thing about this is that we fully agree with all the recommendations. It is not as if there are recommendations that we do not like the look of. We have all fully signed up to these and believe that they will make a real difference.

Mr Weir: From that point of view, the recommendations are grounded enough. I appreciate that you are not saying that there is anything that you completely disagree with, although some will obviously be more challenging than others. Do you think, therefore, that all the recommendations are practical in the sense that they can be done? Some will take longer and be more difficult, but can you potentially deliver on them all?

Mr Adair: Absolutely.

Ms McAuley: Yes.

Mr Girvan: I appreciate that quite a bit of work is to be done here. In relation to current collections and the process of going down the enforcement route, LPS seems to be one of those that go fairly quickly down the enforcement route and, probably, the bankruptcy route for some of the larger amounts. I appreciate that some people will accrue quite a sizeable debt over years. How do you

perform if you set the money that is recovered against the costs of court action and enforcement in the recovery of outstanding bills?

Also, under the current rules of insolvency and bankruptcy, those who you take down the bankruptcy route have protection against paying rates for the following year. They do not pay any rates the following year under the current insolvency rules. Have you considered whether there may be other approaches? We do not have the same powers that bailiffs and suchlike have in England to recover the value in goods. Have any approaches been made to try to streamline the process towards one that is more about debt recovery as opposed to seeking a judgement?

Mr Adair: First, the ratepayer is given a number of opportunities to come to an arrangement before we go down the bankruptcy route. Even when we get a decree in court and have started on that route, the ratepayer will be given every opportunity to try to come to an arrangement. It is really only when that ratepayer does not pay or make any effort to pay that we will finally go down that route.

With regard to cost, we look at the amount of rates that are owed. Certainly, if somebody owes something like £500, we would not go down the route of bankruptcy. We very much look at the amount that is outstanding. You also asked whether we get money back. I suppose that the answer is yes, sometimes we do. It is very much based on the assets of the company or the ratepayer concerned.

Mr Girvan: What I want to ascertain is whether the value that you recover far exceeds the costs of pursuing it. That is a point. That judgement has to be made. Sometimes, you are actually going down the route of enforcing a judgement with no hope of ever getting anything out of it. So, what you are really doing is just heaping more coals onto the head of the person, whoever it might be. Some of them are wilfully not going to pay. However, for others, due to circumstances, it is beyond their control and they have ended up in a total mess. You are just adding insult to injury. On some occasions, that is what happens.

Ms McAuley: I appreciate that. One of the other points that is important is that the majority of bankruptcy and insolvency cases that we are engaged in are actually initiated by some other party. What happens is that whoever it is — a supplier — could be owed money, or whatever, and they will take a bankruptcy or insolvency case against the person. Then, a notification goes out, and we join that action. So, in quite a significant proportion of bankruptcies, liquidations, or whatever, that we are involved in, the initiation action has been taken by somebody else. We will get a notification that such-and-such a company has gone into administration or a bankruptcy petition has been lodged against it. Some are ones where we have actually taken the decision and said, "Look, there is no point in pursuing this any further. We will not get anywhere".

We are also conscious that there is a lot of rate debt out there. If a significant amount of that rate debt is sitting in companies that are going bankrupt — and it is — there is really not much point in our carrying that debt on our books for years. So, we need to do something about it. Last year, 60% of the total amount of debt that we wrote off was due to bankruptcy, insolvency and liquidation. Yes, as Mervyn says, we get some back. However, there is no point in carrying that debt forever because the fact is that the chances of getting something back are really very slim. In some cases, you might get 10p in the pound. You might be offered 2p in the pound. In other cases, you might be offered 40p. It depends very much on what the receiver, administrator, or whoever, says is there when he looks at the books.

When we pass a case to the Enforcement of Judgments Office, it makes an assessment of the individual or company's income, outgoings, and so on. It has the power to do things like seize assets or put charging orders on land, for example, so that if the property was sold within the next 12 years, the money would be recovered from the sale of the property.

Ms Boyle: I will start by saying, and I hope that I am not a lone voice here, that I want to commend LPS in this instance for the work that it has been doing with constituents. It has been very amenable to their circumstances and the way in which they have found themselves in arrears and has helped them to stay out of court. I have to commend my local office for the way in which it has worked with me and my office.

Ms McAuley: Thank you.

Ms Boyle: Do you have a card scheme in place, like that of Power NI?

Ms McAuley: No. We have the PayPoint card. It comes out with your bill. You can go into a post office and pay.

Ms Boyle: Can you pay only in a post office?

Ms McAuley: No. There are PayPoint outlets in supermarkets and —

Ms Boyle: Is uptake of that good?

Mr Adair: It is reasonable. I said earlier that direct debit could improve, but there are more direct debit users than PayPoint users. It is a mixed bag, and it is very much down to individuals. The difference is that the direct debit will come out every month but, with PayPoint, you have to make the decision to go and pay. Quite a significant number of people —

Ms Boyle: For people on low incomes who get paid weekly, that may be a good option.

Mr Adair: Absolutely. We have quite a number who use that.

Ms Boyle: Forgive me if this question was put to Brian earlier. We saw the 'Spotlight' programme last night on tenancy fraud. What about cases of rate fraud involving private landlords? I know cases of tenants who got a rate rebate that was paid directly to a private landlord and the landlord subsequently did not pay the rates. What work are you doing with the other statutory organisations to try to grasp that issue? Is that a mass problem? I am aware of a number of instances.

Ms McAuley: I do not have an awful lot of detail on that, but we have been working very closely with the Housing Executive to try to get information because it pays out the housing benefit and rate relief directly. Discussions are ongoing between our staff and the Housing Executive about information that it could give us on whom the money is being paid to. We will then see whether we can chase that up. I am happy to see if we can get some more information on that for you, because I am not fully au fait with it at the minute.

Mr Adair: I am aware of the odd case with housing benefit. There have been cases where, as you say, tenants felt that they were paying their rates to the landlord. In those instances, we fall into rating legislation, and it is all down to the value of the property. While we fully sympathise with people who have paid the landlord, once we get to the situation where the rates are outstanding, we have to follow the legislation, and it then becomes a matter between the tenant and the landlord to potentially recover the money that was paid.

Ms McAuley: Where there is evidence of a rate rebate having been paid to a landlord and the landlord not passing it over, we would need to take that into account, because that tenant has paid and, effectively, the landlord has defrauded the public purse; they have received money and not used it for the purpose that they got it for.

Ms Boyle: Are there many cases of that, Patricia? Are you aware of many?

Ms McAuley: I am not aware of —

Mr Adair: That potentially falls under the housing benefit fraud angle, which is for the Housing Executive. In the instances of the housing benefit being paid, it is a lot easier for us to deal with that rate account than the ones that I described earlier where it is just a commercial arrangement between the tenant and the landlord with no housing benefit involved. Recently, I have become aware of cases like that where people appear to have been caught high and dry.

Ms Boyle: A lot of it stems from the boom. A lot of private landlords bought property and now find themselves bankrupt. It is a problem.

Ms McAuley: You have cases with your constituents, and you and your office have been touch with the office. If any Committee member is aware of cases like that, please come to us, and we will see what we can do to sort them out.

Mr Cree: I want to go back to the issue that Paul raised with you about bankruptcy and how you handle it. You said that a lot of the cases that you become enjoined in are initiated elsewhere, and I understand that. Is it part of your strategy that, somewhere down the line of trying to recover moneys, you cannot write them off and have to take it to the bankruptcy court? Is that part of the policy?

Ms McAuley: It is not necessary to bankrupt somebody in order to write off a debt. There are a number of reasons why a debt would be written off. For example, if you had lots of small amounts of debt, it simply may not be economical to collect them. In a case where we have information that a person is on housing benefit or rate relief and their income has been assessed and it is very clear that they do not have sufficient income to pay, we would consider writing off the debt. We would also consider writing off the debt in cases where we have information that the individual is not able to pay any of their bills or very few of them. That sort of thing would be considered.

As I explained earlier, there are cases in which there are large amounts of debt and we have no possibility of getting that debt. The only way to pursue it to its conclusion is to take someone to the bankruptcy court. The other thing — it is a bit like the way that bailiffs are used in GB — is that, sometimes, the threat of bankruptcy is enough. We have had cases in which that threat has resulted in the entire amount of money suddenly being found and paid.

There are lots of levers, and, again, it goes back to the question of customer segmentation. It is about knowing your customer and what levers to pull to try to get some recompense.

Mr Cree: You mentioned individuals in the domestic scenario. Would that also apply to small businesses? Is the policy the same for them?

Ms McAuley: We look at all the options for a ratepayer.

Mr Adair: As I said earlier, the key thing is that we give ratepayers — a small business or whatever — every opportunity to pay. The bottom line is that the cases will only end up in bankruptcy if they point-blank refuse to pay. That is the dilemma that we face. There is a large amount of debt, and we give people the opportunity to pay through a payment arrangement, in many instances, over a number of years. More often than not, people default, and you then get into the cost of administration. If you keep going back, the cost keeps spiralling and we are getting absolutely no money.

We do not take anybody to bankruptcy without giving them every opportunity to come to some arrangement to pay. Certainly, that will not be a lump sum; it will be an arrangement.

Mr Cree: An instalment order.

Mr Adair: Yes, instalments or whatever. Many instalments can be paid over two, three and, in some instances, four years. It is not as if we are saying that we want the money next week. When it gets to the final call, we may say that, but no one will be taken to bankruptcy without having the opportunity to make a reasonable offer to settle. That is what we look at before we go down that route.

Mr Cree: Therefore, bankruptcy is not your final step; you can write a debt off with your own authority based on the merits or demerits of a case. It does not automatically have to go to bankruptcy for you to write a small business debt off.

Ms McAuley: It does not have to, but it very much depends on the circumstances. For example, if we find that a business is paying its suppliers, its electricity bills and whatever else but is not paying its rates, we would ask why it is not paying its rates. If they can pay those other things, they should pay their rates. We have to look at individual cases, and we have to balance the fact that there is a statutory requirement for people to pay rates. None of us likes doing it, but we have to. We also have to be fair to the people who are paying their rates and may be struggling to pay them, be they a business or an individual. The majority of people pay their rates; they pay them on time, and they do so in line with their direct debit schedule or whatever. It is a very small proportion of people who do not. We have to be fair to everybody.

Mr Cree: So, you are not saying that there is a policy.

Mr Adair: Anything that we do in respect of a write-off is subject to audit scrutiny.

Mr Cree: Afterwards.

Mr Adair: When we do write-offs, the Audit Office, as part of its scrutiny of our work, will look at our write-off and will lift cases and see if we have —

Mr Cree: That is after the event, though, is it not?

Mr Adair: It is, but if we do a write-off, we have to be accountable for it.

Ms McAuley: If we are writing something off, it has to be in compliance with managing public money. We cannot take a notion and say, "It's too difficult to go after so and so, we'll just write it off". Every case has to be documented, and the reasons for write-off have to be set down. There are various levels of approval, right up to DFP Supply for the larger write-offs. We simply cannot do it without going through the appropriate processes.

Mr Cree: I am glad to hear that; I would expect that.

Ms McAuley: Otherwise, I think, your colleagues in another Committee would have something to say to us.

The Chairperson: Patricia and Mervyn, thank you very much. If you could provide a list of the recommendations and actions arising, it would be appreciated. We will send you a text message to remind you closer to the time. *[Laughter.]*

Ms McAuley: I will try to remember to remind you.