

POLICY AND RESOURCES CABINET BOARD
25th FEBRUARY 2010

DIRECTORATE OF FINANCE & CORPORATE SERVICES

REPORT OF THE HEAD OF REVENUES & CUSTOMER SERVICES
- M. JONES

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SECTION A

ITEM 1

COUNCIL TAX - RECOVERY OF COSTS

Purpose of Report

1. To determine the level of costs to be recovered from council taxpayers in respect of the issue of summonses and the granting by the Magistrates of liability orders.

Background

2. The legislation governing the administration of council tax provides that reasonable costs may be recovered:
 - on the issue of a summons
 - on the granting by the Magistrates of a liability order.
3. Current costs are recovered as follows:

• on the issue of a summons	-	£36.00
• on the granting of a liability order	-	£21.00
4. It is normal policy to review the level of costs charged on an annual basis, and to increase those costs at least broadly in line with inflation. It is recommended, therefore, that the following level of costs be charged for 2010/11:

• on the issue of a summons	-	£36.50
• on the granting of a liability order	-	£21.50
5. This represents an overall increase of 1.8% and will generate additional income of around £5,000 compared to the projected outturn figure for 2009/10.
6. By way of comparison, the Retail Prices Index increased from November 2008 to November 2009 as follows:
 - all items (excluding mortgage interest) = 2.7%
 - all items (including mortgage interest) = 0.3%

Recommendation

7. It is recommended, therefore, that the costs be increased with effect from 1st April 2010 to the following:

• on the issue of a summons	-	£36.50
• on the granting of a liability order	-	<u>£21.50</u>
		<u>£58.00</u>

Reason for Proposed Decision

8. To increase costs in line with inflation.

List of Background Papers

9. Council Tax (Administration & Enforcement) Regulations 1992

Wards Affected

10. All.

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COMPLIANCE STATEMENT

COUNCIL TAX - RECOVERY OF COSTS

(a) **Implementation of Decision**

The decision is proposed for implementation after the 3 day call-in period.

(b) **Sustainability Appraisal**

Community Plan Impacts:

Economic Prosperity	No impact
Education and Lifelong Learning	No impact
Better Health and Well Being	No impact
Environment and Transport	No impact
Crime and Disorder	No impact

Other Impacts:

Welsh Language	No impact
Sustainable Development	No impact
Equalities	No impact
Social Inclusion	No impact

(c) **Consultation**

There has been no requirement under the Constitution for external consultation on this item.

ITEM 2

BUSINESS RATES - RECOVERY OF COSTS

Purpose of Report

1. To determine the level of costs to be recovered from business ratepayers in respect of the issue of summonses and the granting by the Magistrates of liability orders.

Background

2. The legislation governing the administration of business rates provides that reasonable costs may be recovered:
 - on the issue of a summons
 - on the granting by the Magistrates of a liability order.
3. Current costs are recovered as follows:
 - on the issue of a summons - £37.00
 - on the granting of a liability order - £30.00
4. It is normal policy to review the level of costs charged on an annual basis, and to increase those costs at least broadly in line with inflation. It is recommended, therefore that the following level of costs be charged for 2010/11:
 - on the issue of a summons - £38.00
 - on the granting of a liability order - £30.50
5. This represents an overall increase of 2.2% and will generate additional income of around £4,500 compared to the projected outturn for 2009/10.

Recommendation

6. It is recommended, therefore, that the costs be increased with effect from 1st April 2010 to the following:
 - on the issue of a summons - £38.00
 - on the granting of a liability order - £30.50
 - £68.50

Reason for Proposed Decision

7. To increase costs in line with inflation.

List of Background Papers

8. The Non-Domestic Rating (Collection & Enforcement) (Local List) Regulations 1989

Wards Affected

9. All.

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COMPLIANCE STATEMENT

BUSINESS RATES - RECOVERY OF COSTS

(a) **Implementation of Decision**

The decision is proposed for implementation after the 3 day call-in period.

(b) **Sustainability Appraisal**

Community Plan Impacts:

Economic Prosperity	No impact
Education and Lifelong Learning	No impact
Better Health and Well Being	No impact
Environment and Transport	No impact
Crime and Disorder	No impact

Other Impacts:

Welsh Language	No impact
Sustainable Development	No impact
Equalities	No impact
Social Inclusion	No impact

(c) **Consultation**

There has been no requirement under the Constitution for external consultation on this item.

SECTION B

ITEM 3

BUSINESS RATES - 2010 REVALUATION

Purpose of Report

1. To give Members information on the 2010 revaluation of non-domestic properties.

Background

2. Rateable values of non-domestic properties are based on their open market rent, and in order to ensure that rateable values reflect changes in those rents, a revaluation of non-domestic properties is carried out every 5 years.
3. The latest revaluation will come into effect on 1st April 2010 and will be based on open market rents at 1st April 2008.
4. The new rateable values were published on 30th September 2009 and are available on the Valuation Office Agency (VOA) website. The VOA also sent details of their new valuation to all ratepayers in October 2009. Information on the revaluation has been published both on the VOA website and on our own website.
5. Ratepayers have a right of appeal against their new rateable value.
6. It is important to stress that the purpose of the revaluation is not to increase the amount raised from business rates. Accordingly, the increase in rateable values is being accompanied by a reduction of the rating multiplier (or rate in the pound). (See paragraph 8 below).

Impact of the Revaluation

7. For both Wales and England, rateable values overall have increased by 20%
8. For Wales, the Assembly has reduced the multiplier (or rate poundage) from 48.9p in 2009/10 to 40.9p in 2010/11. This means that businesses whose rateable values have increased by less than 19.5% will have lower rates bills in 2010/11.

9. As far as Neath Port Talbot is concerned, the overall increase in rateable value is 21.5%. However, this disguises the different impact of the revaluation in different categories of non-domestic properties.
10. The impact of the revaluation in Neath Port Talbot on the main categories of properties is as follows:

<u>Category</u>	<u>Number</u>	<u>Av. % Increase</u>
Petrol Filling Stations & Garages	136	32.6%
Shops, Banks, Post Offices	1,097	24.9%
Licensed Properties	176	18.8%
Restaurants, Cafes	75	17.9%
Offices	461	16.8%
Hotels etc.	55	13.3%
Local Authority Schools	88	13.3%
Factories, Workshops	671	10.2%
Warehouses, Stores	337	7.5%
Clubs, Community Centres	180	2.5%

11. However, there are wide variations in the changes to bills for individual properties within each category as, as follows:

	<u>Lowest</u>	<u>Highest</u>
Petrol Filling Stations	-4.6%	+323.1%
Garages	-18.1%	+25.5%
Shops	-28.6%	+53.0%
Post Offices	-5.4%	+16.8%
Pubs	-64.8%	+119.6%
Restaurants	-22.1%	+29.8%
Cafes	-32.9%	+23.8%
Offices	-29.2%	+39.8%
Hotels	-34.8%	+12.9%
Schools	-27.1%	+108.3%
Factories	-20.7%	+33.4%
Workshops	-32.9%	+89.0%
Warehouses	-21.2%	+33.4%
Stores	-23.6%	+38.0%

12. In terms of the impact of the revaluation on the rates bills of individual non-domestic properties, the position is:

	<u>Number</u>	<u>%</u>
Reduced Bill – over 20%	112	3.0%
Reduced Bill – 10% - 20%	987	26.2%
Reduced Bill – 5% - 10%	542	14.4%
Reduced Bill – 0% - 5%	491	13.0%
No Change	10	0.2%
Increased Bill – 0% - 5%	432	11.5%
Increased Bill – 5% - 10%	412	10.9%
Increased Bill – 10% - 20%	487	12.9%
Increased Bill – over 20%	296	7.9%

13. In other words, 2,132 businesses (57% of businesses in Neath Port Talbot) will be paying less, while another 432 (11%) will be paying up to 5% more.
14. This means that 32% of businesses will be paying over 5% more, with 13% paying between 10% & 20% more and 8% paying more than 20% more.
15. As with the 2005 revaluation, there will be no transitional arrangements in Wales to phase in the decreases and increases in rates bill – they will have immediate effect on 1st April 2010.

Recommendation

16. To note the report.

List of Background Papers

17. VOA Analysis of Draft 2010 Rating List.

Wards Affected

18. All.

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ITEM 4

SYSTEMS THINKING REVIEW OF HOUSING & COUNCIL TAX BENEFITS

Purpose of Report

1. To give Members an update on the systems thinking review of Housing and Council Tax Benefits.

Background

2. The systems thinking review of Housing and Council Tax Benefits is part of the corporate programme of reviews which in turn form part of the Transforming How We Do Business Workstream.
3. The review is conducted in 3 stages:
 - Stage 1 - This is also called the “Check” stage and is concerned with understanding the way in which the service works.
 - Stage 2 - This is also called the “Plan” stage and is concerned with re-designing the work.
 - Stage 3 - The “Do” stage, when staff are rolled in to the new way of working.

Progress of Review

4. The outcomes of the first stage of the review were:
 - The purpose of the benefits service was agreed as being “To help the customer to get their rent paid.”
 - The review team had identified the different steps in the flow of work which directly helped the service to deliver its purpose - and those steps which did not.
 - The review team had identified 3 types of value demand (I want to report a change of circumstances / Can I claim benefit? / How much will I get?) and an analysis of demand indicated that these value demands account for only 29% of the demand handled by the Benefits Section.
 - There were significant findings regarding the number of memos being sent between the Housing Benefits and Council Tax Sections; the number of rent allowance cheques which were being brought to the Cash Office for encashment; the number of enquiries about Local Housing Allowance (LHA); the number (and duplication) of requests for further information; the number of days to process a benefits claim.

5. During the next stage of the review, the team looked at the redesign of work in the following areas:
- How we communicate with our customers (application forms, notification letters).
 - How to ensure that we get everything resolved at the first point of contact.
 - The requirements and procedures for obtaining evidence in support of claims.
 - How we administer LHA.
 - How we can avoid / minimise handing work between teams.
6. The team also looked at how the operating principles behind the way the Benefits Section was working was leading to waste, and from this developed new operating principles which are designed to minimise that waste. This work is summarised in the following table:

Waste	Current Operating Principle	New Operating Principle
1. Application form.	We know best = better service for customer.	Customer knows what is best for them.
2. Duplication of further info letters. 3. First contact does not get clear info.	Separating person taking the info from person assessing will free up assessor's time.	Having the expert to deal with the process end to end will be quicker and will mean less preventable demand and more right the first time.
4. Sorting / batching / re-routing.	Breaking down work and specialising is more efficient.	Having the expert to deal with the process end to end will be quicker and will mean less preventable demand and more right the first time.
5. Council tax memos.	CT being responsible for CT and HB for HB is more efficient as they are quicker at doing what they know best.	Avoiding hand offs.
6. Evidential info. 7. Not allowing direct payments	DWP guidance minimises fraud and keeps auditors off our back and makes claimants more responsible for their finances.	We will not let DWP guidance get in the way of "what matters" to the claimant.
8. Amending letters.	We have to live with the problem of re-work.	Get it right the first time.

7. The redesign work is now complete and the team are currently working on rolling in staff into the new way of working.

8. The outcomes of the review are, therefore:
 - Reconnecting the Benefits staff with the claimant. This relationship had, to an extent, been lost by the split between the One Stop Shop and the Benefits office.
 - Benefits staff taking ownership of each claim and handling all aspects of that claim from end to end.
 - Improved communications with claimants, particularly in terms of the verbal communication of staff to claimants.
 - Experimentation has indicated that the processing time for benefits claims will be reduced.
 - Having the expert to deal with the process end to end will help to ensure that we “get it right first time” and will reduce the number of avoidable contacts.
 - The new operating principles will result in a release of capacity which will make the system more efficient and help in delivering the Forward Financial Plan.

9. These outcomes do have some significant implications which include:
 - It is necessary to re-evaluate the way role of the One Stop Shops in handling Benefits enquiries in view of the new operating principle of having the expert to deal with the process from end to end.
 - The emphasis on spending more time with the customer at the first point of contact has highlighted the inadequacy of the interviewing facilities in the Port Talbot Civic Centre.
 - The operating principles of avoiding hand offs (i.e. handing work on from 1 person or team to another) and having a single expert deal with process from end to end points to the need to have teams in both the Neath and Port Talbot Civic Centres, which is contrary to the previously agreed accommodation strategy.

10. These are issues which will need to be addressed in the next few months.

11. The review has also identified appropriate measures to be used to tell managers how well the service is performing. These measures will form part of the future scrutiny framework. for Members.

12. One other matter which needs to be highlighted is that, historically, certain benefits policies and procedures have been brought to Members for approval. One example is the LHA policy in respect of when payment of rent allowance can be made to the landlord rather than the claimant.

13. However, an essential element of a systems thinking way of working is that where staff identify system conditions – which will include procedures and policies – which are hindering them in delivering their purpose, it is the role of managers to act swiftly to remove these systems conditions (always having regard to the risk associated with removing systems conditions).
14. It will be necessary, therefore, in future for the managers of the benefit service to amend policies and procedures as issues arise rather than waiting to report the changes to this Cabinet Board.

Recommendation

15. To note the report.

List of Background Papers

16. NPT Forward Financial Plan 2009-2014 “Working for the Future”
NPT Tier 1 Programmes

Wards Affected

17. All.

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ITEM 5

BUSINESS RATES WRITE OFFS

Purpose of Report

1. To outline the recovery process for business rates and to explain the steps taken to recover unpaid business rates before write off is recommended.

Recovery Process - Overview

2. Action for recovery of business rates is by way of application to the Magistrates Court for a liability order, which then gives the authority certain powers of recovery - notably use of bailiffs to remove goods.
3. Before an application for a liability order is made, the following steps are taken:
 - Issue of annual bill payable in 10 monthly instalments.
 - If instalments are not paid, a reminder notice is issued, requesting payment of the missed instalments. (Up to 3 reminders can be issued in any one year).
 - If the account remains unpaid, a summons to attend the liability order hearing at the Magistrates Court is issued.
 - At any stage in the above process, payment arrangements will be made with the ratepayer).
4. Following the issue of a liability order:
 - A notice of the liability order, together with a letter informing the ratepayer of the intention to pass the liability order to a bailiff firm, are sent to the ratepayer.
 - Ideally at this stage, a payment arrangement will be made, and no further action is necessary - however, this is not always possible and further action is required.
 - If a payment arrangement cannot be made, the liability order will be referred to a firm of bailiffs.
 - Formal contracts are in place with all bailiff firms used for the recovery of business rates and, as part of this contract, those firms have to comply with the Council's Code of Practice for Bailiffs.

5. The annual statistics associated with the above process are:
- | | |
|---------------------------------------|-------|
| • annual bills issued | 3,800 |
| • reminders issued | 1,900 |
| • summonses issued | 610 |
| • liability orders granted | 325 |
| • liability orders passed to bailiffs | 223 |
6. There are, however, difficulties with the enforcement of liability orders by bailiff companies:
- The first difficulty is that bailiffs have to be let into the premises, and frequently will find that the debtor does not answer the door. They will visit the premises at different times of the day to maximise the chances of contacting the debtor, but ultimately are reliant on the debtor answering the door – which many debtors will not do.
 - Removal of goods is frequently not a realistic option, due to the low prices that the goods would realise at auction, and also to the fact that some items are protected from removal (either by law or under the Council’s Code of Practice for Bailiffs). Furthermore, items subject to hire purchase arrangements cannot be removed.
7. The difficulties associated with the enforcement of liability orders by bailiff companies is illustrated by the fact that around 50% of liability orders which are referred to them in any one year are returned to the authority, largely because the ratepayer has gone away or because there are no goods which can be removed.
8. There will also inevitably be cases where, at some point in the recovery process, it is found that the ratepayer has left the property without providing a forwarding address.
9. In these cases all reasonable attempts to trace the ratepayer will be made. This will include:
- Checking information held by the authority – electoral register, council tax, housing benefits etc.
 - Enquiries with Members.
 - Use of tracing agents.
 - Use of LOCTA, which is a database of information for those authorities which subscribe to the service.
 - Following up leads and telephoning solicitors, landlords etc. and also using the internet.
 - Other local authorities.

10. In the last resort, if all of the above have failed to result in the recovery of the amount owed, there are the following options:
 - application to the Magistrates for committal to prison;
 - place a charging order on the property (only if the property is owned by the ratepayer);
 - commence insolvency proceedings eg. bankruptcy or liquidation.
11. However, the effectiveness of these options is limited. With regard to committal, this is applicable in the case of certain ratepayers only (eg. sole traders), while furthermore there is a general reluctance to actually impose a custodial sentence and the end result is usually that the ratepayer is ordered to pay only a relatively small weekly payment due to their circumstances.
12. A charging order on a property is only applicable if the ratepayer actually owns the premises, and even in these cases, its effectiveness is dependant upon any other charges already made against the property. Outstanding debt in relation to a mortgage and other debts means that this option is only available in a small number of cases. Furthermore, this only secures the debt for a number of years, with payment only being made if and when the property is sold.
13. In reality, insolvency proceedings are only an option in the case of a ratepayer whose assets will include a property. As with charging orders, however, other property charges can often make this option ineffective.
14. It is also important to understand that there is a relatively high cost to these 3 options due to the court fees involved, the need to have documents served personally on the debtor, and the cost of legal input, and generally the cost of officer time spent in pursuing the matter. This means that the use of these options is not always cost-effective in relation to the likelihood of recovering the debt.

Collection Rate

15. The end result of the recovery process outlined above is the successful collection of business rates as measured by:
 - in-year collection rates;
 - longer term collection rates.
16. As far as the in-year collection rate is concerned, the position over the last 3 years is:

2006/07	98.7%
2007/08	98.3%
2008/09	97.3%

17. The fall in the in-year collection rate for 2008/09 was due to a combination of the difficulties of collection during the economic recession and the fact that empty properties were subject to a full charge from April 2008. However, efforts to recover the outstanding amounts are ongoing and by 31st January 2010, the collection rate for 2008/09 had increased to 98.5%.
18. Turning to the longer term collection rate for the other years, the following table set out the position at 31st March 2009 for the last 5 financial years:

	<u>Collectable Debit 000</u>	<u>Arrears at 31.12.09</u>	<u>Collected %</u>	<u>Write Offs £000</u>	<u>Write Offs %</u>
2003/04	25,781	Nil	99.4	164	0.6
2004/05	27,073	Nil	99.6	102	0.4
2005/06	27,832	3	99.6	117	0.4
2006/07	28,492	35	99.5	122	0.4
2007/08	31,094	172	98.2	79	0.3

19. It can be seen, therefore, that the authority is ultimately collecting over 99.5% of the amount due for each year.

Write Offs

20. There will inevitably be accounts where, despite the efforts of the Business Rates Section, recovery of the full amount due is impossible, and it will be necessary to write off the amount owed.
21. These cases can be categorised as follows:
- The ratepayer is bankrupt and the amount owed is subject to a claim in the bankruptcy proceedings.
 - The ratepayer is a limited company that has gone into liquidation or administration.
 - The ratepayer is deceased and it has been established that there are no funds in the estate.
 - We are unable to locate the ratepayer despite taking the steps set out in paragraph 9 above.
 - It is not in the public interest to pursue recovery of the amount owed. This may be because of the age or health of the ratepayer, or it may be that further recovery action would not be cost-effective having regard to the cost of further action as compared to the likelihood of success in recovering the outstanding amount.
22. The table at paragraph 18 demonstrates that the level of write offs is, however, relatively low.

Conclusion

23. This report has tried to demonstrate:
- the extensive actions taken by the Business Rates Section in attempting to recover unpaid business rates before an account is considered for write off;
 - the difficulties faced in that recovery process, including the limitations of some of the recovery options available;
 - the good performance of the Business Rates Section in collecting rates..
24. In light of the comments in the report, it is inevitable that it will be necessary to seek approval for write offs. However, this will only be done when all appropriate recovery options have been exhausted.

25. **Recommendation**

To note the report.

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