



Belfast City Council

Report to:	Strategic Policy and Resources Committee
Subject:	Update on LPS/Rates Issues
Date:	10 December 2010
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Relevant Background Information

The purpose of this report is to:

- inform Members about the notification of the estimated penny product (EPP) from Land and Property Services (LPS) for 2011/12;
- update Members on the work being done by officers in relation to the implementation of the Memorandum of Understanding with LPS; and
- the Committee at its meeting in October agreed that a series of meetings be arranged with relevant Ministers, for a cross party delegation. The meeting with Minister Wilson is scheduled for 20 December and this report highlights the key issues which are impacting on the rates income within the city and which are proposed to be raised with the LPS and the Minister for the Department of Finance and Personnel

Key Issues

A. Notification of the estimated penny product (EPP) from Land and Property Services (LPS) for 2011/12

1. The rate base is the value of all the properties in Belfast. It is of great significance to the council because the income from the rates provides 74% of the council's overall funding. The level of rates the council can expect to raise for the coming year is advised to the council by LPS and is known as the estimated penny product (EPP). **We have now received the EPP for 2011/12 and it shows zero growth.** This means that the council can expect the rate base to yield the same level of rates for 2011/12 as was estimated for 2010/11.
2. Members should note that the figures provided in the rates scenarios at the October and November SP&R meetings (and the report later on this agenda) were based on a zero growth assumption. This means the figures in the scenarios will not change with the notification of the EPP. However, this zero growth assumption masks significant issues of concern which are set out later in this paper.

B. Update on implementation of Memorandum of Understanding (MOU)

3. The council already has in place an MOU with LPS. The purpose of the MOU is to enable Members to better hold LPS to account for its performance and to agree the key improvement actions which should be prioritised for the year.
4. Council officers have been working with LPS and the Institute of Revenue Rating and Valuation (IRRV) – the leading experts in this field – to agree a suite of performance indicators which cover the key areas of LPS activity. The IRRV have also put in place a framework of benchmark information which will allow Members to compare LPS performance with local authorities in Great Britain.
5. Members have previously raised concerns about increasing the level of advice available to ratepayers on rates reliefs. Therefore one of the key areas of work with LPS during the year has been the development of a programme of work to make the best use of council community and advice based resources to increase the uptake in the range of rate reliefs available to ratepayers.
6. It is anticipated that the first report on the performance of LPS and an update on the advice work on rates relief will be presented to the Strategic Policy and Resources Committee in February 2011.

C. Rates Issues and LPS improvement

7. Given the zero growth notification for our EPP for 2011/12, it is very important that the council continues to work very closely with LPS to ensure that the collectable rate is maximised. In other words, we need to be clear that the appropriate actions are being taken by LPS to ensure the amount of rates collected during 2011/12 will at least match the estimate provided in the EPP.
8. There are three main ways that the LPS can ensure that the collectable rate is maximised. These are:
 - a. **Maximise the amount of rates to be collected.**
 - b. **Maximise the amount of rates actually collected.**
 - c. **Minimise the amount of losses on collection – vacant rating.**
 - d. **Minimise the amount of losses on collection – non domestic vacant rating exclusions**

Maximise the amount of rates to be collected

9. The main way that LPS can maximise the amount of rates to be collected is to ensure that every property which is liable to pay rates is issued with a rates bill in a timely manner for the right amount. Reasons for a bill not being issued include being unable to identify the occupier or the specific date of occupation. Obviously, if no bill is raised then the council will not receive the income to which it is entitled.

Maximise the amount of rates actually collected

10. Members will be aware of the continuing press coverage about the level of rates arrears. The level of arrears for the city (including district and regional rate) as at 30 September 2010 is £42m compared to £53m for the same time last year. The arrears affect the council when LPS decides that arrears will not be recovered and

the debt is written off. For 2010/11, the Belfast EPP allowed for £3.3m of write-offs and this will increase to £5.9m for 2011/12.

Minimise the losses on collection – vacant rating

11. The main way that the council suffers losses in rate income is through vacant properties. In 2010/11 the EPP allowed for £17.5m of vacant property losses and this figure will rise to £18.5m for 2011/12.
12. Even though LPS cannot control the number of vacant properties, it must ensure that all properties in the city currently classified as vacant are actually vacant and that any changes to the status of vacant properties, for example, a property becoming occupied, are identified on an on-going basis in a timely manner.
13. Members should note that the council's Building Control service, in agreement with the Health and Environmental Services Committee, is currently assisting LPS to inspect non-domestic vacant properties in order to determine occupancy status and enhance rate income.
14. In October 2011, rates will start to be levied on vacant domestic properties in a manner similar to that currently in place for non-domestic properties. This will result in additional rates income and will compensate to some degree for the increase in losses from non-domestic vacant properties. The key issue will be for LPS to ensure that the appropriate systems, processes and resources are in place to implement this policy change and actually collect the income.

Minimise the losses on collection – Non-domestic Vacant Rating (NDVR) Exclusions

15. For 2011/12, the most concerning aspect of the EPP is the increase in losses resulting from properties which have been excluded from NDVR. This means that the property is not subject to vacant rates. There are a number of reasons for a property being excluded from rates such as an NAV less than £2,000. In 2010/11 the EPP allowed for £3.2m of exclusion losses and in 2011/12 this figure has risen to £7.4m. The key drivers for this increase are the fact that successful applications may be able to have the exclusion backdated for up to 8 years and the impact of the economic recession whereby property owners are taking any appropriate steps so that they can be excluded from rates.

D. Guidance on Rates for Councillors

16. It is proposed to update the popular booklet, "Guidance on Rates for Councillors" produced by the council in conjunction with the IRRV to account for a number of rating policy changes.

E. Role of Economic Development

17. While the MOU covers the relationship between BCC and LPS it does not address the issue of how the council's economic development work can support the strengthening of the city's rate base. The council is currently in the process of the developing its corporate plan and it is recommended that the Development Committee give consideration to aligning its economic development work to strengthening and supporting the rate base. This should include how the council engages with the business community including retailers, developers and stakeholders in the city centre and the arterial routes.

Way Forward

18. In order to ensure that the rates issues are properly addressed, it is proposed that the following actions are taken:

- a. On behalf of the Strategic Policy and Resources Committee, the Chairman will formally write to LPS requesting the following:
 - i. The number and value of properties which have been valued but a rates bill has not been raised and the actions being taken to get bills issued to these properties (see paragraph 9 above).
 - ii. Details of the current level of rates arrears along with an age profile of the debt (see paragraph 10 above)
 - iii. Details of what steps are being taken to recover the rates arrears (see paragraph 10 above)
 - iv. Details of what improvements are being made to the management of vacant properties (see paragraph 12 above)
 - v. Details of what systems, processes and resources are being put in place to ensure that the introduction of vacant domestic property rating will be effectively implemented (see paragraph 14 above).
 - vi. Details of applications for NDVR exclusions and the potential liability to the council (see paragraph 15 above)
 - vii. Rating Policy Division to be requested to review the policy of back dating exclusions for up to 8 years (see paragraph 15 above).
- b. These rates issues will be raised with the Minister of Finance and Personnel at his meeting with councillors which has been arranged for 20 December 2010.
- c. Officers to provide a report to the Strategic Policy and Resources Committee in February detailing the responses from LPS, providing an update on their performance and an update on the progress on advice work on rates reliefs. The committee to invite LPS officers to attend this meeting.
- d. Agree the improvement actions to be included in the MOU for 2011/12 at the Strategic Policy and Resources committee in March.

Recommendations

Members are asked to:

- 1) Agree to the way forward in relation to the rates issues as detailed in paragraph 18 above.
- 2) Agree to update the booklet, "Guidance on Rates for Councillors" in conjunction with the IRRV to account for a number of rating policy changes.
- 3) To request the Development Committee, as part of the corporate plan, to consider how it can align its economic development work to strengthening and supporting the rate base.