

BABERGH DISTRICT COUNCIL

FROM: Head of Customer Services

REPORT NUMBER: **J101**

TO: OVERVIEW AND SCRUTINY
(COMMUNITY SERVICES) COMMITTEE

DATE OF MEETING: 6 October 2009

NON-DOMESTIC RATE COLLECTION

1. PURPOSE OF REPORT

1.1 On 19 May 2009 Overview and Scrutiny (Stewardship) Committee reviewed the Council's performance for the final quarter of 2008/09. The percentage of Non-Domestic rates (NDR) collected was below target, consequently a report was requested outlining how the collection of Non-Domestic rates is being managed in 2009/10.

2. RECOMMENDATION

2.1 That the action being taken to improve the collection of Non-Domestic Rates be noted.

The Committee is able to resolve this matter.

3. FINANCIAL IMPLICATIONS

3.1 The Council is required to collect NDR on behalf of Central Government, and receives a collection allowance for the work involved (£120,000). Any cost over that figure is met from the General fund. The net cost to the Council for 2009/10 is estimated at £41,000. Collecting NDR requires staff resources of around 2.5 full time equivalents.

4. RISK MANAGEMENT

4.1 This report is most closely linked with the Council's Significant Business Risk No. 5 - Financial, Performance and Risk Management. Key risks are set out below:

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
Performance is managed efficiently and effectively.	Low	Marginal	Performance is measured and monitored weekly at a Divisional level, quarterly by Management Team and O & S Committees.

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
Customer satisfaction with services is maintained at a high level and improved wherever possible.	Low	Marginal	The Council's Debt Management Strategy & Policy ensure that customer's needs, where relevant, are taken into account. They do not face unreasonable demands for payment, debt advice and benefits information is available.

5. **KEY INFORMATION**

5.1 Babergh have 2950 rated Non-Domestic properties. The net collectable debit for 2009/10 is £20.3 million. The collection rate for 2008/09 was 98.14%.

5.2 The Governments reaction to the economic downturn has seen two legislative changes taking effect in 2009/10

- Unoccupied rate. The rateable value limit below which a property is exempt from empty rates has been increased from £2,200 to £15,000 for 2009/10 only.
- Business Rates deferral scheme. Introduced on 31 July, it allows ratepayers to defer paying 3% of their Business Rates. The deferred amount is then spread equally in 2010/11 and 2011/12.

5.3 An analysis of the position as at 7 September is shown below. Out of the £8.5m outstanding, £7.0m is still at bill stage, £417,000 is new debt raised in the last 30 days. These ratepayers are currently keeping their payments up to date. We also continue to collect prior year's arrears; this has reduced by £135,905.00 since April.

Stage	Value
Bill	£7,087,999.04
Reminder	£957,092.35
Summons	£0.00
Liability Order	£152,735.61
7 day letter	£77,517.25
Bailiff	£25,635.42
Bailiff return	£3,510.50
Total	£8,304,490.17
Prior Year Arrears	£242,007.65
Grand Total	£8,546,497.82

5.4 Collection stands at 58.8%. To meet the collection target of 98.9% a further £8.0m needs to be collected by 31 March 2010. £4.8m is due to be collected by Direct Debit between October and March 2010. This leaves £3.2m to be collected by other methods.

- 5.5 Although there is no longer a national PI for NDR collection, comparisons are made with a number of similar authorities. The position at the end of August is shown in Appendix (A).
- 5.6 An analysis of the current position has highlighted the following factors that are influencing the collection figures: -
- Empty Rate changes have had a positive effect. The number of ratepayers liable has reduced from 167 to 30. However the impact of the change in legislation is in effect a temporary respite as the increase in rateable value limit is for one year only. 2008/09 debts are still proving difficult to recover.
 - The deferral scheme has added to the workloads, but take-up levels indicate that the majority of ratepayers in the district appear to feel it offers no real assistance. To date we have received around 100 applications. These are predominantly from national companies rather than small local traders.
 - The economic downturn is having an impact in that some ratepayers are not paying in line with their instalment plan. However we are working with ratepayers where possible, agreeing arrangements and highlighting relief available. To date a total of £200,000 has been re-profiled to be paid during February and March 2010, when for most ratepayers instalments are not normally payable. Although the number of reminders issued has increased by 18% compared to April – August last year. The number of summonses issued has reduced by 13%.
 - From January 2010 it is inevitable that a significant amount of debt will be transferred to 2010/11. At that point in the year, if a ratepayer is in difficulty it is unrealistic to make an arrangement that has to be paid by March, as this does not offer any respite to the ratepayer concerned.
 - The outstanding arrears figure of £242,007 includes:-
 1. £45,000 where the likely end result will be write-off as the ratepayers are no longer trading and Companies House show proposals to strike these off,
 2. £22,000 empty rate bill where the ratepayer has appealed against the property being shown in the rating list due to the physical condition of the assessment; and
 3. £20,864 where there is an ongoing dispute about liability.
 4. £15,800 secured against a charging order that should be paid shortly.
 - The current level of bad debt written of this year (but relating to a number of financial years) is £59,000, this does not include the £45,000 highlighted above. This is within budget as the bad debt provision is £163,000. The majority of the debt written off has been due to insolvency (88%).
- 5.7 To improve collection the focus is on ratepayers at the early stage of recovery (bill, reminder), as this is where we can have the greatest influence and opportunity of recovering the debt within the current financial year.

- 5.8 To prompt early contact the date reminders are issued has been brought forward. Early contact leads to greater flexibility on our part as arrangements can be spread over a greater period of time. However with any arrangement made there has to be a balance between collecting the monies due and the wider social objectives of the Council
- 5.9 Debts further down the recovery process are more resource intensive to recover and have a lesser likelihood of being paid in full within the financial year. The main options available for cases returned uncollected from the bailiff other than payment arrangements are Committal or insolvency. With both these remedies a decision is taken on the cost of recovery compared to the likelihood of collection. The cost of insolvency can run into thousands, Business Rates is a non preferential debt, so there is a risk that any assets only cover the preferential debts.
- 5.10 A balance has to be achieved on the level of resources working on Non-Domestic Rates, Council Tax and Housing Rents collection. Investing a disproportionate amount of resources on Non-Domestic Rates would have a negative impact on Council Tax and Housing Rent collection and vice versa.
- 5.11 It is felt, taking into account all the points highlighted (which are in line with the Council's debt management strategy), that the current strategy and level of resources applied to Non-Domestic Rate collection will lead to an improvement in collection compared to the outturn for 2008/09.

6. **APPENDICES**

- (a) Outcome from benchmarking

7. **BACKGROUND PAPERS REFERRED TO**

None.

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Non-domestic rates collection statistics 31st August 2009

	NNDR	NNDR Accounts
Babergh District Council	52.08%	2,950
Lincoln City Council	53.47%	3,336
Melton BC	49.44%	1,490
Mid Devon	48.15%	2,555
North Kesteven	56.73%	2,910
South Kesteven	43.21%	4,150
South Norfolk	53.15%	3,440