

DUNDEE CITY COUNCIL

REPORT TO: FINANCE COMMITTEE – 14 JUNE 2004

REPORT ON: WATER SERVICES CHARGES (BILLING AND COLLECTION ORDER) - CONSULTATION PAPER

REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)

REPORT NO: 487-2004

1.0 PURPOSE OF REPORT

1.1 The purpose of the report is to seek approval for the submission of the Council's views on the consultation paper issued by the Scottish Executive Environment Group with regard to The Water Service Charges (Billing and Collection) Order.

2.0 RECOMMENDATION

2.1 That the Council agrees to the submission of a response to the Scottish Executive as detailed in Appendix A of this report.

3.0 FINANCIAL IMPLICATIONS

3.1 Scottish Water contribute to the cost of collection of recovery of water & sewerage charges. An individual agreement between the City Council and Scottish Water is currently in place and continues until 31 March 2005. The effect that the Billing and Collection order will have will depend on its final wording and also whether a further individual agreement is signed. If the Council's views were adopted the financial effects of the order on the City Council would be minimal.

3.2 The administrative cost of collecting and recovering monies from debtors rises according to the levels of deprivation experienced in any area. Therefore it is considered necessary for any agreement or order to recognise this fact and provide for a higher contribution towards costs to Councils whose area experiences high levels of deprivation.

4.0 LOCAL AGENDA 21 IMPLICATIONS

None

5.0 EQUAL OPPORTUNITIES IMPLICATIONS

None

6.0 BACKGROUND

6.1 In March of each year a joint bill for Council Tax and water and waste water services is issued to most households in Scotland. Under the Water Services Charges (Billing and Collection)(Scotland) Order 2002, Local Authorities have a duty to collect water and waste water charges on behalf of Scottish Water from dwellings connected to the public water and waste water systems. This Order expires on the 31 March 2005, and the Scottish Executive have issued a consultation paper requesting views on the content and duration of a new order from 1 April 2005.

6.2 It is in the interests of both Local Authorities and Scottish Water to have efficient and effective billing, collection and debt recovery arrangements. Households also benefit from the economies of scale inherent in a joint billing system. The Order specifies the mechanics of how that joint billing, collection and debt recovery arrangement should work.

- 6.3 The Scottish Executive has decided to maintain the current arrangements which link water charges with the Council Tax band of the property served. Households occupying properties in Council Tax Band A therefore pay two thirds of the charge paid by those in Band D and one third of the charge paid by those in Band H. In addition any discounts applied to Council Tax bills for particular households are also applied to water and waste water charges, for example the discount of 25% for all single adult households. These arrangements are dependent on the current link to Council Tax billing and collection. Discounts, which are dependent on the local authority applying its detailed information of an individual household's circumstances, could prove particularly difficult to maintain should another arrangement to be put in place, as this would require the separate collection of this information by Scottish Water.
- 6.4 The current Billing and Collection Order provides for the local authorities to transfer to Scottish Water sums collected, for the forms and procedures to be used or followed by the local authorities in demanding payment and for charge payers to have a right of appeal to the relevant Valuation Appeal Committee. The Order also requires each local authority to keep accounts and records of all transactions under the Order and gives Scottish Water the right to inspect such accounts and records and receive/gives copies of such records and accounts as required.
- 6.5 The Scottish Executive are seeking views on which parts of the Billing and Collection Order, if any, need to be revised and in what way. In particular views are sought on the following areas:
- the duration of the new Order;
 - the duty of local authorities to collect;
 - the way in which the amount of revenue to be transferred from local authorities to Scottish Water should be calculated;
 - payments made by Scottish Water for the billing and collection service; and
 - access to the management information associated with accounts and records.
- 6.6 Appendix A sets out the specific questions asked in the consultation paper together with the proposed response.

7.0 CONSULTATION

The Chief Executive and Depute Chief Executive (Support Services) have been consulted on the contents of this report.

8.0 BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than containing confidential or exempt information) were relied on to any material extent in preparing the above report.

David K Dorward
Depute Chief Executive (Finance)

Date

APPENDIX A

The specific questions asked in the Consultation Paper with suggested responses are given below.

Question 1 **What period of time should the new Order cover? Are break points needed to review particular elements within the Order and, if so, what should those be?**

Response The new Order should cover a five year period with break points after one and three years.

Question 2 **Should the duty of Local Authorities to bill, collect and recover charges be strengthened? And if so, how?**

Response No. The current process ensures that the collection and recovery of both Council Tax and Water & Sewerage are treated equally.

Question 3 **Views are sought on whether we should:**

- **Continue with the current "ABCD formula" (option 1), or**
- **Move to an individual account basis (option 2) where individual Local Authorities are able to do so with a fall back position of the ABCD formula (option 1), or**
- **Move to another alternative, and on what, in your opinion, the impact of the various options would be.**

Response The current formula is flawed and a move to option 2 (an individual account basis) would be preferable. However, the benefit of 'correcting' it should be weighted against the possible cost of producing 'amended' software.

If amendment is favoured the Council would prefer not to change IT Databases but would suggest that a programme is written to run against the current database at the end of each calendar month. The programme would interrogate each account and proportion any cash paid between Council Tax and Water & Sewerage and Statutory Additions based on the new amount payable on each.

The cost of such development should be borne by Scottish Water or the Scottish Executive

The second bullet point in the question should therefore be adopted.

Question 4 **Should we specify in the Order how payments should be allocated across water and waste water charges, Council Tax charges and Statutory Additions in cases where Statutory Additions have been applied to accounts, and if so, how this should be done?**

Response Local Authorities should keep any Statutory Additions received to help cover the additional costs associated with these types of cases. To apply separate calculations to Council Tax and Water & Sewerage would create unnecessary IT complications.

The response to question 4 was borne in mind when answering questions 7, 8 and 9.

Question 5 **Should we specify in the Order whether Scottish Water should pay for the transfer of revenues in respect of Ministry of Defence properties and, if so, what is the reasoning for this and what should the payment be?**

Response The Councils are merely passing over a proportion of a lump sum paid to Scottish Water and therefore we feel there is no justification to charge Scottish Water for this minimal service.

- Question 6** **What would be the appropriate timeframe for transferring revenues to Scottish Water?**
- Response Transfer of monies should be made by Local Authorities within 10 working days of the end of each calendar month. To carry out this function more frequently would add to Local Authority's administration costs.
- Question 7** **How much should Scottish Water contribute towards the Local Authorities billing and collection costs?**
- Response The contribution in respect of 2005/06 should be £5 per property increased each year by the same percentage as the Local Authority pay award.
- Question 8** **What are your views on the amount payable per dwelling that should be included in the Order? How should this change over time?**
- Response A contribution per dwelling should be payable in addition to billing and collection costs based on the levels of deprivations experienced in each Council area. This would acknowledge the fact that administrative costs rise as deprivations levels rise due to the increased numbers of defaulters and the associated difficulties of administration in these areas.
- Question 9** **What are your views on maintaining the current section 7 allowing individual local authorities and Scottish Water to come to a mutual agreement that differs from the minimum default position set out in the Order?**
- Response There should be provision for agreements between individual local authorities and Scottish Water. The cost of collection varies between local authorities due to a variety of factors, etc. deprivation, economies of scale, movement in population, etc. and it would not therefore be appropriate to establish a common payment for this service.
- Question 10** **Does the provision in the current Order for keeping records and accounts need any revision? In particular, do you consider that the records and accounts needed would differ according to whether the transfer of revenues continues on the current formula, moves to an individual account basis, or some alternative.**
- Response Scottish Water presently have audit rights which should continue. These rights include the checking of any computer programmes used to calculate the amount of monies to be transferred.
- Question 11** **Should the Order specify what information should be passed to Scottish Water to enable it to comply with the Water Industry Commissioner's regulatory requirements?**
- Response Yes - however any increase in administration costs including IT must be borne by Scottish Water.
- Question 12** **Do you consider it necessary to specify in the Order that the costs of providing new or different information should be met by the party requesting that information?**
- Response Yes.
- Question 13** **What are your views on the current levels of reporting of collection rates of water and waste water charges?**
- Response Scottish Water have recently informed the City Council that they are content with the information provided.
- Question 14** **In your view, are any further changes needed to the Order?**
- Response No.