

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE - 10 JUNE 2004

WATER BILLING AND COLLECTION ORDER CONSULTATION

Report by Chief Executive

1 PURPOSE OF REPORT

The purpose of this report is to propose a response to the Scottish Executive consultation paper on the Water Services Charges (Billing and Collection) (Scotland) Order.

2 BACKGROUND

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 is done by issuing a joint bill for Council Tax and water services to households. The Order expires on 31 March 2005 and the consultation paper asks in what form the Order should be renewed. It deals with what the duration of the new Order should be and whether changes should be made to;

- the duty of Local Authorities
- the current way of calculating how much revenue should be transferred from Local Authorities to Scottish Water
- the level of payments made by Scottish Water for the billing and collection service
- the provision and access to the management information associated with accounts and records kept.

A copy of the consultation paper is appended to this report.

3 PROPOSED RESPONSE

Paragraph 2.3 asserts that the current arrangements which link water charges with the Council Tax band of the property served ensures that water charges reflect, broadly, the ability of a household to pay. It is not accepted that the linking of water charges to the Council Tax band adequately reflects the ability of a household to pay. This is acknowledged by the existence of the Council Tax Benefit Scheme. No such Scheme exists for water charges and the Executive is urged to consider introducing a rebate scheme for water charges in order to strengthen that link.

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?*

Proposed Response: The three year spending review will cover the period 2005/06 to 2007/08 which would fit with a three year arrangement commencing April 2005. Whilst this is accepted that there are other issues of timing which Scottish Water may wish to be taken into account it is not considered that a shorter or longer period would serve any productive purpose.

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

Proposed Response: The implication is that Local Authorities somehow do not give appropriate priority to maximising collection rates for Council Tax. This is clearly not the case and any change to the wording is unlikely to have any effect on Local Authorities methods or activity.

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), or*
- *if there is another alternative (option 3),*

and on what, in your opinion, the impact of the various options would be.

Proposed Response: As indicated in the consultation paper the “ABCD formula” is not appropriate and should be replaced with payments to Scottish Water based on individual accounts. The effect would be to produce a more accurate remittance of water charges collected. It is accepted that where a Local Authority is unable to record transactions on an individual account basis that the “ABCD formula” may be the closest estimation of the actual position available.

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 should this be done?*

Proposed Response: The method of allocation of Statutory Additions should be specified in the Order. As indicated these are designed to compensate the Local Authority for additional collection costs and as such should be retained in full by them. For Local Authorities accounting on an individual account basis the payments received after the imposition of a Statutory Addition should be allocated to the Statutory Addition amount first and the Council Tax/Water debt thereafter.

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 be payment be?*

Proposed Response: It should be possible for Local Authorities to identify these properties and treat them in the same way as other accounts.

Question 6: *What would be the appropriate timeframe for transferring revenues to Scottish Water?*

Proposed Response: It is agreed that transfers of revenues can and are made more regularly than specified in the current order. Payments no later than 7 days after the end of each calendar month should be achievable.

Question 7: *How much should Scottish Water contribute towards the Local Authorities billing and collection costs?*

Proposed Response: Whilst it is true that Scottish Water charges amount to approximately one quarter of the total billed, the value of the bill is largely irrelevant to the cost of producing it and collecting the debt. In many cases the absence of a water rebate scheme means that bills are issued only for water charges to those with least ability to pay. The additional effort required to collect these sums should be recognised in the Scottish Water contribution. As a minimum, Scottish Water should pay 100% of average collection costs for those households receiving full council tax benefit and 50% of collection costs for other properties.

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?*

Proposed Response: The fact that failure to agree an alternative deal with Scottish Water will result in the minimum payment specified in the Order gives Scottish Water an unfair advantage in any negotiation. It is possible for Scottish Water to insist on confidentiality of deals struck with individual councils with an implied threat of reversion to the minimum payment if details are released to others. It may be that a National three year agreement should be put in place following negotiation by CoSLA, Scottish Water and the Scottish Executive which recognises the factors which influence cost such as deprivation levels and economies of scale.

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?*

Proposed Response: Requiring Scottish Water to have 32 individual negotiation and fee arrangements seems unnecessarily cumbersome and administratively wasteful, particularly for Scottish Water. A nationally agreed formula based fee such as that suggested above would eliminate this and improve transparency.

Question 10: *Does the provision in the current Order for keeping accounts and records need any revision? In particular, do you consider that the accounts and records needed would differ according to whether the transfer of revenues continues on the current formula, moves to an individual account basis, or some alternative?*

Proposed Response: It is considered that the current provision is adequate and afford some flexibility for both Local Authorities and Scottish Water. Clearly, if the formula changes to an individual account basis Local Authorities using this would need to hold the information in a way that supported the level of remittance. Scottish Water would need to be satisfied that the Local Authority records provided an appropriate level of evidence as at present.

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?*

Proposed Response: Specifying the information to be passed to Scottish Water appears to be unnecessarily prescriptive. Given that this is done as a matter of routine however inclusion is unlikely to make any significant difference for either Local Authorities or 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?*

Proposed Response: If additional work or expense is required as a result of demands by Scottish Water for new or different information then Scottish Water should meet the costs of that.

Question 13: *What are your views on the current levels of reporting of collection rates of water and waste water charges?*

Proposed Response: A change to remittance on the basis of individual account will bring greater openness and integrity to the figures produced.

4 LEGAL/POLICY/FINANCIAL IMPLICATIONS

None arising from this report

5 RECOMMENDATION

It is recommended that Members authorise the Chief Executive to respond to the consultation paper as outlined above.

LIST OF BACKGROUND PAPERS

Scottish Executive Billing and Collection Order Consultation Paper 2004/4

Members wishing further information should contact Alex McPhee, Executive Head of Finance Tel: (01563) 576300.

Fiona Lees
Chief Executive

AMcP/JP
29 April 2004