

WIRRAL COUNCIL

CABINET

21 JUNE 2012

SUBJECT	COLLECTION SUMMARY 2011/12
WARD/S AFFECTED	ALL
REPORT OF	ACTING CHIEF FINANCE OFFICER
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 This report details the collection of Council Tax, Business Rates, Sundry Debtors, Housing Benefit Overpayments and Housing Act Advances. It highlights key collection indicators and trends with regard to irrecoverable sums, the sums written off under delegation and details those debts for which Cabinet approval is sought to write off.

2.0 BACKGROUND AND KEY ISSUES

2.1 Council Tax Collection

2.1.1 The following statement summarises 2011/12 collection of Council Tax:

	£	£
Arrears Brought Forward at 1 April 2011		13,274,000
Total Charge		<u>179,088,279</u>
		192,362,279
Less Credits Brought Forward at 1 April 2011		<u>1,032,000</u>
		191,330,279
Less Allowances:		
Exemptions	5,508,626	
Disabled Persons Relief	144,630	
Discounts and Band alterations	20,011,518	
Benefits	31,216,847	
Write-offs	<u>815,355</u>	<u>57,696,976</u>
		133,633,303
Add Refunds Made		1,257,146
Add Costs		<u>640,658</u>
		135,531,107
Less Cash Received		<u>122,261,107</u>
Arrears Carried Forward at 31 March 2012		<u>13,270,000</u>
Number of properties at 31 March 2012		146,117
Number of Benefit Recipients at 31 March 2012		42,781

- 2.1.2 During 2011/12 a total of 48,476 reminder notices and 14,579 summonses were issued leading to the Courts issuing 10,202 Liability Orders. 2,238 Attachment of Earnings Orders and 4,334 Deductions from Job Seekers Allowance/Income Support were commenced and 7,714 cases were referred to Bailiffs.
- 2.1.3 In 2011/12 Council Tax collection returned to 2009/10 levels with a reduction from 97% in 2010/11 to 96.8% in 2011/12. This was due to the additional £1.6 million raised by removal of the 50% Long Term Empty Property discount which is proving, as predicted, difficult to collect. Without this change collection would have remained the same. In recognition of the current economic circumstances less coercive collection practices were applied. The number of reminders issued in the year reduced by 3,586, summonses issued increased by 317 and court liability orders reduced by 2,505. The numbers of accounts passed to the bailiffs reduced by 712 whilst deductions from earnings increased by 264 and deduction from benefits increased by 353.
- 2.1.4 The Government is proposing legislative changes concerning Council Tax that will allow Councils to exercise more discretion concerning discounts and exemptions, the applicable timescales and the potential of an Empty Property premium charge. A report on the Government Consultation on Council Tax Discounts Technical Reform was presented to Cabinet on 8 December 2011.
- 2.1.5 The Government has proposed changes to the relief given for people on low income which will see the Council Tax Benefit scheme replaced by a Council Tax Rebate. Each local authority will have to devise a scheme or adopt the Government default scheme and the Government has stated legislation will protect pensioners and vulnerable groups. Government funding will be reduced by 10% from 2013/14 which for Wirral amounts to £3.1 million. The legislation is currently progressing through the House of Lords and a report will be presented to Cabinet when the regulations are set.

2.2 **Council Tax Irrecoverables**

- 2.2.1 There is no specific power to write-off Council Tax debts, which are covered by the general power of administering the financial affairs of the Authority. Examples of suitable cases for write-off are: deceased persons with no estate, persons not traced, Insolvency, Sums remitted by the court during proceedings for imprisonment and minimal sums. All other debts are actively pursued.

2.2.2 The write-off provision for 2011/12 was £4 million and whilst trace and recovery work is ongoing for Council Tax arrears £815,355 has been written off in 2011/12 categorised as follows:

Category	£
Deceased	40,564
Insolvency	223,463
Court Remission	11,688
Non-traceable	<u>539,640</u>
	<u>815,355</u>

2.3 Council Tax Statistics

2.3.1	Number of Dwellings	Dwellings as a Band "D" Equivalent
	1 April 2011 145,427	1 April 2011 106,476
	1 April 2012 146,117	1 April 2012 107,672

2.3.2 Year on Year Volume Comparisons

	31.03.10	31.03.11	31.03.12
Direct Debit Payers	86,739	87,863	88,432
Discount Recipients	71,686	72,105	70,467
Inc Pensioners discounts	8,797	8,910	10,536
Exempt Persons	4,116	4,072	3,955
No. of Amended/Copy Accounts	160,696	109,191	113,907
No. of Returned Direct Debit Payments	10,779	11,472	11,252
Payments: Direct Debits	865,047	873,033	889,553
Cash/Cheque	77,036	71,566	59,526
Salaries/Wages	17,113	16,315	14,641
Debit/Credit Card	52,012	55,994	56,941
Paypoint	33,203	32,367	30,487
Post Office	75,889	69,654	64,362
Dept for Work & Pensions	8,599	27,422	27,910
Bailiff	21,393	27,957	27,628

The number of increased Pensioner Discount recipients at 31 March 2012 reflects the applications received in March after main billing in respect of the reduced age criteria brought in for 2012/13.

BUSINESS RATES (NATIONAL NON DOMESTIC RATES)

2.4 Collection

2.4.1 The following statement summarises 2011/12 collection.

	£	£
Opening Debit		77,764,645
Plus Balance Brought Forward		7,169,015
Less Credit b/f		<u>275,127</u>
		84,658,533
<u>Allowances</u>		
Assessment changes in year	-3,472,860	
Transitional Relief	879,809	
Empty relief	1,492	
Empty relief exemptions	-3,256,451	
Part Occupation relief	-236,680	
Void property relief	-25,755	
Charitable Organisations	-4,916,562	
Hardship	-332	
Small Business rate relief	-4,743,008	
Write-Offs	-722,908	
Interest	<u>28,108</u>	
		<u>-16,465,147</u>
		68,193,386
Add Refunds made		3,065,951
Add costs		<u>33,752</u>
		71,293,089
Less Cash Received		<u>-63,788,822</u>
Balance Carried Forward		<u>7,504,267</u>
Rateable Value 1 April 2011		180,402,653
Number of Properties 1 April 2011		7,898

2.4.2 The Business Rates system is subject to major change with effect from 1 April 2013 and the legislation is currently being considered by the House of Lords. Presently Business Rates are collected locally and paid into the National Pool. The Government then re-distributes the Pool to all authorities based upon their respective populations. The main changes will be that the Council will be able to keep a proportion of any increase in the future yield and will be directly affected by collection performance. Wirral is presently a net beneficiary from the Pool receiving approximately £2 for every £1 collected. A report will be presented to Cabinet when the regulations are set.

2.4.3 The Council has an Enterprise Zone which came into force on 1 April 2012. The Zone has been the subject of earlier reports to Cabinet and with development to begin the rules of the Zone are still being formulated.

2.5 Irrecoverables

2.5.1 Within the collection target is an allowance for irrecoverables or losses on collection. This is calculated as a percentage of anticipated yield and was £812,048 in 2011/12 as compared to £775,057 in 2010/11.

2.5.2 The Government sets these allowances for Authorities. Write-offs above these levels may need to be audited and, if accepted, collection levels are amended.

2.5.3 A breakdown of 2011/12 write-offs:	Amount £
Absconded/Irrecoverable	113,818
Insolvency	606,649
Miscellaneous (including deceased)	<u>2,441</u>
Total	<u>722,908</u>

2.5.4 Statistics

Property	2010/11	2011/12
Number of Properties on Valuation List	7,898	7,997
Rateable Value	£180,402,653	£180,910,478
New and Altered Property Notifications	430	1,883
Recovery Action		
Summonses	783	782
Liability Orders	615	688
Chargepayers on Direct Debit	2,532	2,045

2.6 SUNDRY DEBTOR ACCOUNTS

2.6.1 The collection statement for 2011/12 is shown with the 2010/11 comparison:

	2010/11 £	2011/12 £
Balance Brought Forward at 1 April	25,730,282	27,633,282
Net Amount of Invoices	<u>93,647,046</u>	<u>97,252,030</u>
	119,377,328	124,885,312
Less Write-Offs	<u>0</u>	<u>844,182</u>
	119,377,328	124,041,130
Payments Received	<u>91,744,046</u>	<u>92,968,700</u>
Balance Carried Forward at 31 March	27,633,282	31,072,430

2.6.2 The number of invoices and their value raised over the last five years is as follows:

	Invoices	£m
2007/08	39,480	69.7
2008/09	38,156	80.4
2009/10	34,230	90.4
2010/11	51,507	93.6
2011/12	50,740	98.0

Irrecoverables

- 2.7.1 Provision for irrecoverable debts has been made and debts identified as irrecoverable by the Head of Legal and Member Services are being written off. The amounts written off under delegated powers in operation for 2011/12 (under £1,000):-

	Number	£
Absconds	63	21,350
Irrecoverable	196	42,400
Miscellaneous	239	32,754
Insolvency	27	6,400
Deceased debtors	40	12,200
Small Debts	<u>56</u>	<u>4,577</u>
Total	<u>621</u>	<u>119,681</u>

- 2.7.2 Sums over the limit of delegation £1,000 and below £5,000 requiring Cabinet approval. Detail of the debtors is within the Exempt Appendix:-

	Number	£
Absconds	19	30,756
Irrecoverable	20	48,632
Miscellaneous	18	34,670
Insolvency	6	7,400
Deceased	<u>12</u>	<u>17,458</u>
	<u>75</u>	<u>138,916</u>

- 2.7.3 Sums over £5,000 require Cabinet approval and there follows a brief description of each case. The names of the debtors appear in the Exempt Appendix:-

	Number	£
Absconds	1	35,146
Irrecoverable	6	282,071
Miscellaneous	15	213,098
Insolvency	4	42,146
Deceased	<u>2</u>	<u>13,124</u>
	<u>28</u>	<u>585,585</u>

Case 1 Department of Adult Social Services

Invoice dated 06.11.2002 amounting to £6,866.95 in respect of accommodation fees. Debtor subsequently died leaving no assets.

Case 2 Department of Adult Social Services

Invoice dated 01.10.2003 amounting to £7,811.44 in respect of accommodation charges. Default on instalments agreed on Judgement Order. The debtor had no assets and significant outstanding debt. No enforcement action could be taken to recover the debt consequently the debt was recommended for write off.

Case 3 Department of Adult Social Services

Invoice dated 11.10.2000 amounting to £10,421.83 in respect of accommodation charges, for a client who died in September 2000. As the debt occurred over 10 years ago, any further proceedings are statute barred; there is no prospect of the Local Authority recovering any of the remaining balance.

Case 4 Department of Adult Social Services

Invoice dated 09.12.2009 amounting to £5,992.71 in respect of accommodation charges. Debtor subsequently died leaving no assets.

Case 5 Department of Adult Social Services

Invoice dated 07.10.2008 amounting to £7,130.88 in respect of accommodation charges. Debtor subsequently died leaving no assets.

Case 6 Department of Adult Social Services

Invoice dated 21.05.2005 amounting to £5,548.46 in respect of overpaid accommodation charges. Due to the age of the debt, any further proceedings are statute barred; there is no prospect of the Local Authority recovering any of the remaining balance.

Case 7 Department of Adult Social Services

Invoice dated 07.03.2005 amounting to £6,278.54 in respect of overpayment of accommodation charges. Due to the age of the debt, any further proceedings are statute barred; there is no prospect of the Local Authority recovering any of the remaining balance.

Case 8 Department of Adult Social Services

Invoice dated 07.03.2005 amounting to £16,823.34 in respect of overpayment of accommodation charges. Due to the age of the debt, any further proceedings are statute barred; there is no prospect of the Local Authority recovering any of the remaining balance.

Case 9 Department of Adult Social Services

Invoice dated 26.04.2005 amounting to £26,016.00 in respect of overpayment of accommodation charges. Due to the age of the debt, any further proceedings are statute barred; there is no prospect of the Local Authority recovering any of the remaining balance.

Case 10 Department of Adult Social Services

Invoice dated 08.02.2005 amounting to £34,827.99 in respect of overpayment of accommodation fees. Due to the age of the debt, any further proceedings are statute barred; there is no prospect of the Local Authority recovering any of the remaining balance.

Case 11 Department of Adult Social Services

Invoice dated 02.08.2006 amounting to £13,573.16, in respect of assisted living services. Due to the age of the Debt and that the company has subsequently ceased trading; there is no prospect of the Local Authority recovering any of the remaining balance.

Case 12 Department of Adult Social Services

Invoice dated 16.03.2005 amounting to £187,754.58, in respect of assisted living services. Due to the age of the Debt and that the company has subsequently ceased trading; there is no prospect of the Local Authority recovering any of the remaining balance.

Case 13 Department of Adult Social Services

Invoice dated 24.03.2004 amounting to £6,086.91, in respect of an overpayment within the Direct Payment scheme. Due to the age of the debt, any further proceedings are statute barred; there is no prospect of the Local Authority recovering any of the remaining balance.

Case 14 Department of Adult Social Services

Invoice dated 25.02.2005 amounting to £39,044.53 in respect of direct payments for a client with Cardiff Social Services. Due to the age of the debt and insufficient evidence provided by the Department, no further recovery action could be taken.

Case 15 Department of Adult Social Services

Invoice dated 11.07.2006 amounting to £37,090.73 in respect of an overpayment made to an incorrect account. Due to the age of the debt, the inability to identify a trading company and insufficient instructions being received from the Client Department, no further recovery action could be taken.

Case 16 Department of Adult Social Services

Invoice dated 11.07.2006 amounting to £35,144.56 in respect of a payment paid into an incorrect account. Due to the age of the debt, the inability to identify a trading Company and insufficient instructions being received from the Client Department, no further recovery action could be taken.

Case 17 Children and Young People Department

Invoice dated 18.07.2001 amounting to £26,000 in respect of Single Regeneration Budget Grant for Gap Funding for 1999/2000. The department could not provide sufficient evidence to support recovery through the Courts.

Cases 18-21 Department of Finance

Four Invoices dated 10.02.2005 of £6,831.13. Total written-off £27,324.52, relates to the former North West and North Wales Purchasing Consortium for which there was insufficient evidence to support recovery through the Courts.

Case 22 Department of Law, HR and Asset Management
Invoice dated 27.06.2008 amounting to £5,867.05 in respect of Licence fees outstanding. The company subsequently went into liquidation and as there is unlikely to be a dividend to unsecured creditors such as the Council, the debt was recommended to be written off.

Case 23 Department of Technical Services
Invoice dated 08.03.2000, amounting to £7,500 in respect of a contribution as agreed in respect of a Lairdside Project. The department could not provide sufficient evidence to support recovery through the Courts.

Case 24 Department of Technical Services
Invoice dated 27.07.2007 amounting to £16,411.96 in respect of emergency work following the collapse of a roof and building following storm damage. The result of Court case deemed the invoices irrecoverable.

Case 25 Department of Technical Services
Invoice dated 01.08.2007 amounting to £19,429.56 in respect of making safe a collapsed building. Result of Court case deemed the invoices irrecoverable.

Case 26 Department of Technical Services
Invoice dated 08.05.2007 amounting to £14,134.43 in relation to work carried out as per order. The company subsequently went into liquidation and as there is unlikely to be a dividend to unsecured creditors such as the Council, the debt was recommended to be written off.

Case 27 Department of Technical Services
Invoice dated 01.11.2007 amounting to £15,988.68 in relation to work carried out as per order. The company subsequently went into liquidation and as there is unlikely to be a dividend to unsecured creditors such as the Council, the debt was recommended to be written off.

Case 28 Department of Technical Services
Invoice, dated 13.10.2009, amounting to £6,516.00 in respect of skip hire and waste disposal. The company subsequently went into liquidation and as there is unlikely to be a dividend to unsecured creditors such as the Council, the debt was recommended to be written off.

2.7.4 The full list of write-offs for Member consideration is in the Exempt Appendix.

2.7.5 Work is underway with the Director of Law, HR and Asset Management to rigorously identify those Sundry Debtor accounts which are most likely to be irrecoverable. This will include liaising with departments to ensure that supporting information is available to pursue collection. This will enable collection and recovery resources to focus on those debts which are fully collectable and maximise timely and early collection. This will also see a move towards pre-payments rather than billing. A further report detailing this work and its outcomes will be presented to a future Cabinet.

2.8 HOUSING ACT ADVANCES

2.8.1 The collection statement for 2011/12 is shown with 2010/11 comparison and a five years arrears trend.

	2010/11	2011/12
	£	£
Arrears Brought Forward	2,448	1,382
Charges	<u>32,035</u>	<u>23,847</u>
	34,483	25,229
Cash Collected	<u>33,101</u>	<u>23,345</u>
Arrears Carried Forward	<u>1,382</u>	<u>1,884</u>

Five Year Collection Details

Financial Year	Amount Collectable £	Arrears £	Number of Accounts
2007/08	76,343	4,025	50
2008/09	73,748	2,953	38
2009/10	63,996	2,448	28
2010/11	34,483	1,382	22
2011/12	25,229	1,884	19

Total of loans outstanding at 31 March 2011	£100,796
Total of loans outstanding at 31 March 2012	£62,938

2.8.2 No new advances were made in 2011/12. The number of mortgage accounts continues to decrease as more are redeemed or transferred to other institutions. The caseload retained continues to be monitored to prevent arrears increasing.

2.9 Housing Benefit Overpayment Debts

2.9.1 The following Housing Benefit overpayment debts, all under £1,000 were written off in 2011/12. It is planned to analyse overpayments over £1,000 and determine actions concerning collection maximisation as well as any consequential write-off requirement;

Reason	No	£
Elderly	15	3,907
Bankrupt	28	3,721
Deceased	76	16,839
Statute Barred	78	26,712
DWP error	1	64
Small Balance	488	33,408
Uneconomic to Pursue	<u>13</u>	<u>639</u>
Total	<u>699</u>	<u>85,290</u>

2.10 IRRECOVERABLE DEBTS

2.10.1 Under delegated powers I have written off as irrecoverable the following:-

	£
Council Tax	815,355
Business Rates	722,908
Sundry Debtors	119,681
Housing Benefits Overpayment	<u>85,290</u>
Total	<u>1,743,234</u>

2.10.2 Cabinet is asked to approve the following sum as being written off in respect of 103 irrecoverable debts over £1,000:

	£
Sundry Debtors	724,501

3.0 RELEVANT RISKS

3.1 If debts are not written off they have the potential to inflate what might be thought collectable. Debts are only written off after a number of stringent checks and following advice from the Head of Legal and Member Services.

4.0 OTHER OPTIONS CONSIDERED

4.1 The report presents a summary of the collection performance for 2011/12. No other options were considered.

5.0 CONSULTATION

5.1 Relevant officers of the Council have been consulted in preparing this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising directly from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 There are no financial and staffing implications beyond the statements of accounts contained in this report. Debts written off as irrecoverable are charged against the Council provision for bad debts which is reviewed annually in accordance with the requirements of accounting practice.

8.0 LEGAL IMPLICATIONS

8.1 Those debts recommended for write-off have been agreed by the Head of Legal and Member Services.

9.0 EQUALITIES IMPLICATIONS

9.1 There are none arising directly from this report.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 RECOMMENDATIONS

12.1 That the report is noted.

12.2 That the debts be written-off as detailed in the report.

13.0 REASONS FOR RECOMMENDATIONS

13.1 So Members are aware of the collection activity undertaken in these areas.

13.2 Sums written off are approved either under delegation or by Cabinet.

FNCE/xxx/12

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APPENDICES

Exempt Appendix

SUBJECT HISTORY

Cabinet - Collection Summary 2010/11	24 June 2011
Cabinet - Collection Summary 2009/10	24 June 2010
Cabinet - Collection Summary 2008/09	25 June 2009