

CABINET

13 JUNE 2013

SUBJECT	COLLECTION SUMMARY 2012/13
WARD/S AFFECTED	ALL
REPORT OF	INTERIM DIRECTOR OF RESOURCES
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	YES

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 also highlights key collection indicators and for irrecoverable sums, the sums that were written off under delegation and details of those debts for which Cabinet approval is sought to write off.

2.0 RECOMMENDATIONS

- 2.1 That the report be noted.
- 2.2 That the debts be written-off as detailed in the report.

3.0 BACKGROUND AND KEY ISSUES**COUNCIL TAX**

- 3.1 There was a small increase in the number of properties and collection at 96.8% for 2012/13 was the same as for 2011/12.

3.2 Collection Summary 2012/13

	£	£
Arrears Brought Forward at 1 April 2012		13,270,000
Total Charge		<u>180,246,179</u>
		193,516,179
Less Credits Brought Forward at 1 April 2012		<u>769,755</u>
		192,746,424
Less Allowances:		
Exemptions	5,633,578	
Disabled Persons Relief	144,540	
Discounts and Band alterations	19,992,664	
Council Tax Benefits	31,153,419	
Write-offs	<u>798,524</u>	<u>57,722,725</u>
		135,023,699
Add Refunds Made		1,667,647

Add Costs	<u>658,654</u>
	137,350,000
Less Cash Received	<u>123,704,000</u>
Arrears Carried Forward at 31 March 2013	<u>13,646,000</u>

3.3 Debt Recovery Actions

	2011/12	2012/13
Reminder Notices	48,476	50,148
Summonses Issued	14,579	14,086
Leading to		
Liability Orders	10,202	9,520
Attachment Of Earnings Orders	2,238	2,068
Deductions from Job Seekers		
Allowance/Income Support	4,334	3,949
Referred to Bailiffs	7,714	5,869

3.4 Irrecoverables

3.4.1 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.

3.4.2 The write-off provision for 2012/13 was £4 million and whilst trace and recovery work is ongoing for Council Tax arrears £798,524 has been written off in 2012/13 categorised as follows:

Category	2011/12 £	2012/13 £
Deceased	40,564	50,066
Insolvency	223,463	134,257
Court Remission	11,688	11,195
Prison sentence served	-	5,172
Non-traceable	<u>539,640</u>	<u>597,834</u>
Total	<u>815,355</u>	<u>798,524</u>

3.5 Statistics

	31 Mar 2012	31 Mar 2013
Number of properties	146,117	146,154
Dwellings as a Band D equivalent	107,672	*87,116
Number of Benefit Recipients	42,781	42,092
Council Tax Collection	96.8%	96.8%

* difference due to change from Council Tax Benefit to Council Tax Support and new Government funding arrangements effective 1 April 2013

3.6 Year on Year Volume Comparisons

	31.03.11	31.03.12	31.03.13
Direct Debit Payers	87,863	88,432	89,081
Discount Recipients	72,105	70,467	67,950
Inc Pensioners discounts	8,910	10,536	13,856
Exempt Persons	4,072	3,955	4,189
No. of Amended/Copy Accounts	109,191	113,907	117,795
No. of Returned Direct Debit Payments	11,472	11,252	11,018
Payments: Direct Debits	873,033	889,553	900,217
Cash/Cheque	71,566	59,526	24,310
Salaries/Wages	16,315	14,641	12,517
Debit/Credit Card	55,994	56,941	57,651
Paypoint	32,367	30,487	29,349
Post Office	69,654	64,362	57,298
Dept for Work & Pensions	27,422	27,910	27,012
Bailiff	27,957	27,628	16,276

- 3.7 Changes to the treatment of empty properties were brought in by Government with effect from 1 April 2013 along with the change from Council Tax Benefit to the Local Council Tax Support Scheme. For 2013/14 the Council agreed to increase Council Tax levels by 2% on the previous year's Council Tax level. The net result of these changes is an extra £10.1 million to be collected for 2013/14. As these new areas are likely to be challenging to collect it is anticipated that the collection rate will reduce by 1.75% for 2013/14.

BUSINESS RATES (NATIONAL NON DOMESTIC RATES)

- 3.8 There was a small increase in the number of properties and in 2012/13 collection fell from 97% to 95.3%. Port Exemptions of £1.99 million reduced the arrears carried forward significantly as did the increase in Write Offs referred to in 2.11.

3.9 Collection Summary 2012/13

	£	£
Opening Debit		81,344,390
Plus Balance Brought Forward		7,719,611
Less Credit b/f		<u>535,464</u>
		88,528,537
<u>Allowances</u>		
Assessment changes in year	158,844	
Transitional Relief	623,910	
Empty relief	0	
Empty relief exemptions	-3,535,472	
Part Occupation relief	-167,033	
Void property relief	-7,421	

Charitable Organisations	-5,621,249	
Rural Relief	1,099	
Hardship	0	
Small Business rate relief	-5,507,058	
Port Exemptions	-1,986,619	
Write-Offs	-2,095,219	
Interest	<u>5,215</u>	<u>-18,131,403</u>
		70,397,134
Add Refunds made		3,247,283
Add costs		<u>43,129</u>
		73,687,546
Less Cash Received		<u>-67,752,735</u>
Balance Carried Forward		<u>5,934,811</u>

3.10 Debt Recovery Action

	2011/12	2012/13
Summonses	782	760
Liability Orders	688	679
Chargepayers on Direct Debit	2,045	2,100

3.11 Irrecoverables

3.11.1 Within the collection target is an allowance for irrecoverables or losses on collection. This is calculated as a percentage of anticipated yield and was £0.9 million in 2012/13.

3.11.2 Write Offs in future years will be split 50-50 between the Council and Government. In view of this a scrutiny of all outstanding debt was undertaken during the year and substantially increased the amount written off to £2.1 million. This will be Written off against pool contributions, for the last time.

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

3.11.4 Category	2011/12	2012/13
	£	£
Absconded/Irrecoverable	113,818	745,526
Insolvency	606,649	1,084,717
Miscellaneous (including deceased)	<u>2,441</u>	<u>264,976</u>
Total	<u>722,908</u>	<u>2,095,219</u>

3.12 Statistics

	2011/12	2012/13
Number of Properties on Valuation List	7,997	8,109
Rateable Value	£180,910,478	181,374,913
New and Altered Property Notifications	430	1,883
Collection Rate	97.0%	95.3%

- 3.13 The Business Rates has undergone major change with effect from 1 April 2013. Previously Business Rates were collected locally and paid into the National Pool. The Government then re-distributed the Pool to all authorities based upon their respective populations. The main change is that the Council will be able to keep 50% of any increase in the future yield and will be directly affected by collection performance. Wirral previously was a net beneficiary from the Pool to the tune of receiving £2 for every £1 collected. Wirral because of its relatively small Business rate base will be a classed as a "Top Up" rather than "Tariff" authority because its baseline funding level is greater than its business rates baseline.
- 3.14 The Council has an Enterprise Zone, Wirral Waters part of Mersey Waters, which came into force on 1 April 2012. The Zone has been the subject of earlier reports to Cabinet and whilst building has recently commenced to date there have been no completed buildings within the Zone therefore no Business Rates income generated.

SUNDRY DEBTOR ACCOUNTS

- 3.15 Reports were presented to Cabinet on 23 May 2013 which included the review undertaken by Mr Eugene Sullivan and the actions taken to reduce the level of outstanding debt within Adult Social Services. This identified that there was the potential to write-off significant sums for which provision has been made in the accounts. Once this work has been concluded those debts which are recommended to be written-off will be reported to Cabinet for approval.
- 3.16 These reports followed the exercise to address outstanding debt within Adult Social Services. Of the debt at November 2012 £12 million of the £25 million outstanding at that time has been recovered. If this had not been recovered the level of debt at the year-end would have been significantly higher than the £20 million now reported, which includes £8 million of recently raised debt.
- 3.17 During 2012/13 the Council raised invoices totalling £103 million (an increase of £5 million on 2011/12) and collected income of £103 million (an increase of £10 million from 2011/12) reflecting the improved collection of outstanding debts. This was also evident in that whilst previous years showed an increasing level of debt at the end of the year the position at 31 March 2013 showed a reduction on the 31 March 2012 figure.
- 3.18 Cabinet are advised that by the end of May 2013 the debt has reduced by £10 million which reflects the payments received for invoices that were raised in the 28 days prior to the year-end.

3.19 Collection Statement

	2011/12 £	2012/13 £
Balance Brought Forward at 1 April	27,633,282	31,072,430
Net Amount of Invoices	<u>97,252,030</u>	<u>103,103,357</u>
	124,885,312	134,175,787
Less Write-Offs	<u>844,182</u>	<u>1,517,188</u>
	124,041,130	132,658,599
Payments Received	<u>92,968,700</u>	<u>102,652,293</u>
Balance Carried Forward at 31 March	<u>31,072,430</u>	<u>30,006,306</u>

3.20 The number of invoices and their value raised over recent years and the outstanding debt at the year-end is as follows:-

Financial Year	Invoices Number	Invoices Value	Debt 31 March
2009/10	34,230	90.4	25.7
2010/11	51,507	93.6	27.6
2011/12	50,740	98.0	31.1
2012/13	47,912	103.0	30.0

3.21 The table below outlines Departmental Debt as at 31 March 2013

Departments	Less than 28 Days	1 st Reminder	2 nd Reminder	3 rd Reminder	Total	Land Charges
	£	£	£	£	£	£
C.Y.P.D.	714,609	188,006	8,049	358,042	1,268,706	0
Corporate	462,167	71,696	19,948	534,942	1,088,753	267,330
Finance	6,669,360	1,111,822	39,725	415,389	8,236,296	0
Law & Asset	301,972	332,245	18,487	152,456	805,161	108,383
Regeneration	9,539	857	956	2,429	13,781	4,970
D.A.S.S.	5,206,071	2,477,071	676,026	9,144,618	17,503,786	2,377,746
Technical Ser	619,964	118,648	105,735	2,580,923	3,425,270	240,157
Totals	13,983,682	4,300,345	868,926	13,188,799	32,349,859	
%	43.2%	13.3%	2.7%	40.8%	100%	
Unallocated payments					-2,343,553*	
Total					30,006,306	2,998,586

*Unallocated payments are payments without a reference number or an incorrect number and are awaiting correction and allocation to the relevant department.

Irrecoverables

3.22.1 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 2012/13 (under £1,000):-

Under £1,000 Write off Descriptions 2012/13	Cases	£
Write off No Trace Total	15	4,399.73
Write off Irrecoverable Total	486	91,611.36
Write off Statute Barred Total	1,082	318,046.61
Write off Insufficient Proof Total	20	4,649.12
Write off Dept Advise Total	16	5,073.75
Write off Settlement Total	7	3,263.32
Write off Small Amount Total	106	2,179.13
Write off Liquidation Total	48	12,193.06
Write off Not Authority Debt Total	8	2,908.95
Write off Deceased Total	51	20,758.37
Total	1,839	465,083.40

3.22.2 Sums over the limit of delegation £1,000 and below £5,000 requiring Cabinet approval.

Over £1,000 and below £5,000 Write off Descriptions 2012/13	Cases	£
Write off No Trace Total	5	10,527.47
Write off Irrecoverable Total	13	25,880.22
Write off Statute Barred Total	149	317,532.20
Write off Dept Advise Total	3	4,180.83
Write off Liquidation Total	10	18,479.21
Write off Deceased Total	36	78,341.78
Total	216	454,941.71

3.22.3 Sums over £5,000 require Cabinet approval. Detail appears in the Exempt Appendix:-

Over £5,000 Write off Descriptions 2012/13	Cases	£
Write off No Trace Total	2	15,554.86
Write off Irrecoverable Total	3	22,536.03
Write off Statute Barred Total	27	295,397.36
Write off Insufficient Proof Total	4	113,083.84
Write off Dept Advise Total	1	34,296.53
Write off Liquidation Total	2	70,814.51
Write off Deceased Total	7	45,479.89
Total	46	597,163.02

Summary Write Off Amounts 2012/13	Cases	£
Under £1,000.00	1,839	465,083.40
Over £1,000.00	216	454,941.71
Over £5,000.00	46	597,163.02
Total	2,101	1,517,188.13

3.22.4 Work is underway with all Departments 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. There is also see a move towards pre-payments/paying up front rather than billing where ever possible.

HOUSING ACT ADVANCES

3.23 No new advances were made in 2012/13. 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.

3.24 Collection statement

	2011/12 £	2012/13 £
Arrears Brought Forward	1,382	1,884
Charges	<u>23,847</u>	29,445
	25,229	31,329
Cash Collected	<u>23,345</u>	<u>28,437</u>
Arrears Carried Forward	<u>1,884</u>	<u>2,892</u>

3.25 Housing Act Advances Five Year Collection Details

Financial Year	Amount Collectable £	Arrears £	Number of Accounts
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
2012/13	31,329	2,892	15
Total of loans outstanding at 31 March 2012			£62,938
Total of loans outstanding at 31 March 2013			£40,329

HOUSING BENEFIT OVERPAYMENT DEBTS

- 3.26 The following Housing Benefit overpayment debts, all under £1,000 were written off in 2012/13. 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	31	27,539
Bankrupt	64	22,810
Deceased	97	29,294
Statute Barred	150	74,073
Small Balance	168	4,715
Uneconomic to Pursue	<u>62</u>	<u>10,581</u>
Total	<u>572</u>	<u>169,012</u>

IRRECOVERABLE DEBTS

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

	£
Council Tax	798,524
Business Rates	2,095,219
Sundry Debtors	465,083
Housing Benefits Overpayment	<u>169,012</u>
Total	<u>3,572,838</u>

- 3.28 Cabinet is asked to approve the following sum as being written off in respect of 262 irrecoverable debts over £1,000:

	£
Sundry Debtors over £1,000 and under £5,000	454,942
Sundry Debtors over £5,000	<u>597,163</u>
Total	<u>1,052,105</u>

4.0 RELEVANT RISKS

- 4.1 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.

5.0 OTHER OPTIONS CONSIDERED

- 5.1 The report presents a summary of the collection performance for 2012/13. No other options were considered.

6.0 CONSULTATION

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

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising directly from this report.

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

8.1 Following the reports to Cabinet on 23 May 2013 staffing resources within the Social Services PFU Team are being increased in order to improve income recovery.

8.2 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. As detailed in the revenue out-turn report the provision at 31 March 2013 was £10.9 million which compares to the £7.6 million at 31 March 2012.

9.0 LEGAL IMPLICATIONS

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

10.0 EQUALITIES IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising directly from this 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.

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APPENDICES

Exempt Appendix

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Collection Summary 2009/10	24 June 2010
Cabinet - Collection Summary 2010/11	24 June 2011
Cabinet - Collection Summary 2011/12	21 June 2012