

CABINET

7 JULY 2014

SUBJECT	COLLECTION SUMMARY 2013/14
WARD/S AFFECTED	ALL
REPORT OF	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 during the year.

2.0 BACKGROUND AND KEY ISSUES**COUNCIL TAX**

- 2.1 There were major changes to Council Tax for 2013/14. The Local Council Tax Support Scheme replaced the Council Tax Benefit Scheme combined with a 10% reduction in Central Government, funding. To meet this reduction Wirral agreed that Council Tax was payable by recipients for the first time with an increase for those who were already paying some Council Tax. The removal of exemptions on empty properties led to Wirral agreeing to award zero discount on those properties and the adoption of a premium of 50% charged on properties that had been empty in excess of 2 years. Council Tax was also increased by 2% from 1 April 2013. This resulted in an extra £10 million to collect for 2013/14.
- 2.2 As a consequence of the changes it was projected that the in year collection rate would fall from 96.8% to 95.4%. Of the additional £10 million that was to be collected for 2013/14 the sum of £8.9 million was collected by 31 March 2014. The overall effect was in year collection was 95.4%, 0.3% above the projected target of 95.1%.

2.3 Collection Summary 2013/14

	£	£
Arrears Brought Forward at 1 April 2013		13,646,000
Total Charge		<u>183,898,034</u>
		197,544,034
Less Credits Brought Forward at 1 April 2013		<u>766,699</u>
		<u>196,777,335</u>

Less Allowances:		
Exemptions	2,911,356	
Disabled Persons Relief	153,958	
Discounts and Band alterations	17,760,998	
Council Tax Support	27,826,687	
Write-offs	<u>942,439</u>	<u>49,595,438</u>
		147,181,897
Add Refunds Made		1,388,679
Add Costs		<u>895,879</u>
		149,466,455
Less Cash Received		<u>132,580,000</u>
Arrears Carried Forward at 31 March 2014		<u>16,886,455</u>

2.4 Debt Recovery Actions

	2012/13	2013/14
Reminder Notices	50,148	88,253
Summonses Issued	14,086	23,153
Leading to		
Liability Orders	9,520	16,674
Attachment of Earnings Orders	2,068	1,961
Deductions from Job Seekers		
Allowance/Income Support	3,949	7,193
Referred to Bailiffs	5,869	7,408

- 2.5 The majority of the increased debt is due to the change from the Council Tax Benefit Scheme to the Local Council Tax Support Scheme, which gave maximum support of 78% rather than the previous 100%, and the removal of the exemption on empty properties. Collection activity continues against all debts with the increase in recovery actions solely down to non-payment of the element from the change to Council Tax Support. Wherever possible an application for a deduction from benefit is the preferred collection method for accounts in receipt of Council Tax Support.

Irrecoverables

- 2.6 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.
- 2.7 The provision for bad debts arising from Council Tax arrears stood at £10.5 million at 31 March 2014 (compared to £7.5 million at 31 March 2013). Whilst trace and recovery work is ongoing for Council Tax arrears £942,439 has been written off in 2013/14 categorised as follows:

Category	2012/13 £	2013/14 £
Deceased	50,066	77,909
Insolvency	134,257	203,901
Court Remission	11,195	11,783
Prison sentence served	5,172	0
Non-traceable	<u>597,834</u>	<u>648,846</u>
Total	<u>798,524</u>	<u>942,439</u>

2.8 Statistics

	31 Mar 2013	31 Mar 2014
Number of properties	146,154	146,450
Number of CTS Recipients (CTB in 2012/13)	39,667	37,932
Council Tax Collection	96.8%	95.4%

2.9 Year on Year Volume Comparisons

	31.03.12	31.03.13	31.03.14
Direct Debit Payers	88,432	89,081	91,545
Discount Recipients	70,467	67,950	70,225
Pensioners discounts	10,536	13,856	14,011
Exempt Persons	3,955	4,189	1,908
No. of Amended/Copy Accounts	113,907	117,795	126,212
No. of Returned Direct Debit Payments	11,252	11,018	12,891
Payments: Direct Debits	889,553	900,217	945,527
Cash/Cheque	59,526	24,310	70,384
Salaries/Wages	14,641	12,517	11,497
Debit/Credit Card	56,941	57,651	78,915
Paypoint	30,487	29,349	44,092
Post Office	64,362	57,298	77,203
Dept for Work & Pensions	27,910	27,012	35,102
Bailiff	27,628	16,276	14,675

BUSINESS RATES (NATIONAL NON DOMESTIC RATES)

2.10 There was a small increase in the number of properties and in 2013/14 collection increased from 95.3% to 96.9%.

2.11 Collection Summary 2013/14

Opening Debit	£	84,990,136
Plus Balance Brought Forward		6,550,531
Less Credit Brought Forward		<u>725,518</u>
		90,815,149

<u>Allowances</u>		
Assessment changes in year	-1,499,880	
Transitional relief	360,314	
Empty relief	-796	
Empty relief exemptions	-3,951,475	
Part Occupation relief	-125,230	
Void property relief	-1,945	
Charitable Organisations	-5,392,249	
Rural Relief	1,130	
Small Business rate relief	-5,991,487	
Write-Offs	-1,020,681	
Interest	<u>2,658</u>	<u>-17,619,641</u>
		73,195,508
Add Refunds made		2,701,092
Add Costs		<u>53,559</u>
		75,950,159
Less Cash Received		<u>-69,180,267</u>
Balance Carried Forward		<u>6,769,892</u>

2.12 Debt Recovery Action

	2012/13	2013/14
Summonses	760	724
Liability Orders	679	665
Chargepayers on Direct Debit	2,100	1,979

Irrecoverables

2.13 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 2013/14.

2.14 Category	2012/13	2013/14
	£	£
Absconded/Irrecoverable	745,526	521,447
Insolvency	1,084,717	507,420
Miscellaneous (including deceased)	<u>264,976</u>	<u>-8,186</u>
Total	<u>2,095,219</u>	<u>1,020,681</u>

2.15 Statistics

	2012/13	2013/14
Number of Properties on Valuation List	8,109	8,202
Rateable Value	£181,374,913	£181,379,353
New and Altered Property Notifications	1,883	1,788
Collection Rate	95.3%	96.9%

- 2.16 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 infrastructure work has been undertaken to date there have been no completed buildings within the Zone for Business Rates purposes.
- 2.17 Cabinet agreed on 10 April 2014 to use High Street Innovation Fund monies (£100,000) to support the Wirral Chamber of Commerce drawing up proposals relating to the establishment of a Birkenhead Business Investment District (BID). If established this would be the first BID for Wirral and the substantial increase in the levying and collection of this additional rates sum would require additional staffing resources.

SUNDRY DEBTOR ACCOUNTS

- 2.18 Reports to Cabinet on 23 May 2013 included the review undertaken by Mr Eugene Sullivan and actions to reduce the level of outstanding debt particularly within Adult Social Services. This identified there was the potential to write-off significant sums for which provision has been made in the accounts. This work is still ongoing and during the year debts have been submitted to Cabinet for write off approval as detailed in Section 2.29.
- 2.19 During 2013/14 the Council raised invoices totalling £100 million and collected income of £102 million reflecting the improved collection of debts. This was particularly evident in that the level of debt at 31 March 2014 showed a reduction on the 31 March 2013 figure whereas previous years showed an increasing level of debt at the end of the year.

2.20 Collection Statement

	2012/13	2013/14
	£	£
Balance Brought Forward at 1 April	31,072,430	30,006,306
Net Amount of Invoices	<u>103,103,357</u>	<u>99,552,730</u>
	134,175,787	129,559,036
Less Write-Offs	<u>1,517,188</u>	<u>3,962,531</u>
	132,658,599	125,596,505
Payments Received	<u>102,652,293</u>	<u>102,102,750</u>
Balance Carried Forward at 31 March	<u>30,006,306</u>	<u>23,493,755</u>

- 2.21 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
2011/12	50,740	£98.0m	£31.1m
2012/13	47,912	£103.1m	£30.0m
2013/14	51,139	£99.6m	£23.5m

2.22 The table below outlines Departmental Debt as at 31 March 2014

Department Description	Less than 10 days	1 st Reminder	2 nd Reminder	3 rd Reminder	Total as 31.03.14	Land Charges
	£	£	£	£	£	£
Chief Exec	75,545	54,159	2,440	626,948	759,052	360
Neighbourhood	1,229	0	1,593	21,568	24,390	0
Transformation	2,021,465	159,814	3,716,128	540,578	6,437,985	41,938
Families	4,945,773	741,540	975,057	8,212,766	14,875,136	2,386,908
Regeneration	390,408	227,386	84,661	700,652	1,430,110	276,411
Policy and Perf	158	0	0	48,042	48,200	0
Totals	7,434,578	1,182,902	4,779,879	10,150,554	23,547,913	2,705,614

- 2.23 Changes have been made during the year to the debt recovery timescales in that the 1st reminder is now sent after 10 days (previously 28 days), the 2nd reminder after 20 days (was 48 days), the 3rd reminder after 28 days (this is new and was introduced to advise that the account was to be passed for legal enforcement if payment or contact was not made) with cases referred to legal services after 42 days (was 70 days).
- 2.24 Land charges represent those debts which have been registered as a charge against a property and should be recovered when that property is subsequently sold. These cases are managed by Legal Services.
- 2.25 The figures are for invoices in respect of the period up to the end of March 2014. Payments as well as amendments such as write-offs and debts cancellations continue to be made after this date on all these accounts which resulted in the balance shown in Section 2.20.
- 2.26 Cabinet are advised that of the debt outstanding at 31 March 2014 payments had been received which reduced the total to £16 million by May. This included Merseyside Residuary Debt invoices totalling £3.5 million under Transformation sent on 11 March 2014 and paid in early April.

Irrecoverables

- 2.27 Sums over the limit of delegation £1,000 and below £5,000 require Cabinet approval. The list below was included in the Accounts Receivable totals for the 13 March 2014 Cabinet report but the supporting information was not supplied the table below corrects that oversight..

Over £1,000 and below £5,000 Write off Descriptions	Cases	£
No Trace	3	3,990
Irrecoverable	18	37,960
Statute Barred	1	3,060
Departmental t Advice	1	3,995
Insufficient Proof	2	4,359
Total	25	53,364

- 2.29 Work has been undertaken during the year to check accounts and submit debts for write-off and the table illustrates debts reported to Cabinet that have been written-off to date in 2013/14.

Cabinet Date	Debtors DASS	Debtors Other	HB Overpayments	Total
	£	£	£	£
11.07.13	512,574	-	-	512,574
16.01.14	384,904	-	161,030	545,934
13.03.14	504,555	-	146,927	651,482
13.03.14	765,150	1,796,348	-	2,560,498
Total	2,167,183	1,796,348	307,957	4,270,488

HOUSING BENEFIT OVERPAYMENT DEBTS

- 2.29 In addition to the £307,957 reported to Cabinet the following Housing Benefit overpayment debts, all under £1,000, were written off in 2013/14 using delegated authority.

Reason	No	£
Elderly	22	6,017
Bankrupt	48	15,814
Deceased	73	14,564
Statute Barred	120	47,283
Small Balance	107	2,572
Uneconomic to pursue	82	10,257
Total	452	96,507

HOUSING ACT ADVANCES

- 2.30 No new advances were made in 2013/14. The number of mortgage accounts continues to decrease as more are redeemed or transferred to other institutions. The small caseload retained continues to be monitored to prevent arrears increasing. Steps are being undertaken to bring the management of the remaining accounts in-house as the potential costs of remaining with the current supplier are prohibitive and potentially in excess of the loans outstanding.

2.31 Collection statement

	2012/13	2013/14
	£	£
Arrears Brought Forward	1,884	2,892
Add : Charges	<u>29,445</u>	<u>17,025</u>
Total	31,329	19,917
Less : Cash Collected	<u>28,437</u>	<u>17,413</u>
Arrears Carried Forward	<u>2,892</u>	<u>2,504</u>

2.32 Housing Act Advances Five Year Collection Details

Financial Year	Amount Collectable £	Arrears £	Number of Accounts
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
2013/14	19,917	2,504	12
Total of loans outstanding at 31 March 2013			£40,329
Total of loans outstanding at 31 March 2014			£27,754

IRRECOVERABLE DEBTS

2.33 Under delegated powers and previous Cabinet approval I have written off as irrecoverable the following:-

	£
Council Tax	942,439
Business Rates	1,026,681
Sundry Debtors	3,962,531
Housing Benefits Overpayments	<u>404,465</u>
Total	<u>6,336,116</u>

2.34 The irrecoverable debts are written-off against the provisions for bad debts which are reviewed annually in accordance with accounting guidelines. At 31 March 2014 the provision for Council Tax stood at £11.2 million (£7.5 million at 31 March 2013) and for Sundry Debtors £7.2 million (£10.9 million at 31 March 2013).

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 2013/14. 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 This report details financial performance in connection with the collection of incomes due to the Council.

7.2 Since the reports to Cabinet on 23 May 2013 staffing within the Social Services PFU Team has been increased to improve income recovery.

8.0 LEGAL IMPLICATIONS

8.1 Debts recommended for write-off are 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 The report be noted including:-

- a) The Council Tax in-year collection rate being 95.4% and 0.3% above the projected target.
- b) The Business Rates collection rate increased from 95.3% to 96.9% in 2013/14.
- c) The Sundry Debtors arrears at 31 March 2014 showed a reduction of £6.5 million on the position at 31 March 2013.

13.0 REASON FOR RECOMMENDATIONS

13.1 Whilst the Financial Monitoring reports throughout the year provide an on-going update on the collection of revenues this annual report provides a more comprehensive review of the collection activity.

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SUBJECT HISTORY

Council Meeting	Date
Cabinet - Collection Summary 2010/11	24 June 2011
Cabinet - Collection Summary 2011/12	21 June 2012
Cabinet - Collection Summary 2012/13	13 June 2013