

CABINET

13 JULY 2015

SUBJECT	COLLECTION SUMMARY 2014/15
WARD/S AFFECTED	ALL
REPORT OF	HEAD OF BUSINESS PROCESSES
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 BACKGROUND AND KEY ISSUES**COUNCIL TAX**

2.1 This year was the second year of the Local Council Tax Support Scheme and the removal of the Empty Property discounts / exemptions. There was a slight payment increase in each area as the new charges bed in and the overall Collection Rate increased from 95.4% to 95.5%.

2.2 Collection Summary 2014/15

	£	£
Arrears Brought Forward at 1 April 2014		16,886,455
Total Charge		<u>184,684,765</u>
		201,571,220
Less Credits Brought Forward at 1 April 2014		<u>991,499</u>
		200,579,721
Less Allowances:		
Exemptions	3,067,983	
Disabled Persons Relief	149,853	
Discounts and Band alterations	17,301,319	
Council Tax Support	27,195,000	
Write-offs	<u>1,003,779</u>	
		<u>48,717,934</u>
		151,861,787
Add Refunds Made		1,725,600
Add Costs		<u>409,068</u>
		153,996,455
Less Cash Received		<u>136,088,000</u>
Arrears Carried Forward at 31 March 2015		<u>17,908,455</u>

2.3 Debt Recovery Actions

	2013/14	2014/15
Reminder Notices	88,253	82,862
Summonses Issued	23,153	23,121
Leading to		
Liability Orders	16,674	16,904
Attachment of Earnings Orders	1,961	2,218
Deductions from Job Seekers Allowance / Income Support	7,193	7,234
Referred to Bailiffs	7,408	8,274

2.4 Members will note apart from a drop in the number of reminders recovery action was very similar to the previous year. Debt levels are impacted by the Local Council Tax Support Scheme which provides maximum support of 78% and the removal of the Empty Property discounts / exemptions. Collection activity continues against all debts with recovery actions high due to non-payments from those affected by the Council Tax Support Scheme. Wherever possible an application for deduction from benefit is the preferred method for those in receipt of Council Tax Support.

Irrecoverables

2.5 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.

2.6 The write-off provision for 2014/15 was £11.2 million and whilst trace and recovery work is ongoing for Council Tax arrears £1,003,779 has been written off in 2014/15 categorised as follows:

Category	2013/14 £	2014/15 £
Deceased	77,909	7,702
Insolvency	203,901	251,880
Court Remission	11,783	7,426
Prison sentence served (by order of the magistrates)	0	1,259
Non-traceable	<u>648,846</u>	<u>735,512</u>
Total	<u>942,439</u>	<u>1,003,779</u>

2.7 Statistics

	31 Mar 2014	31 Mar 2015
Number of properties	146,450	146,936
Number of CTS Recipients	37,932	36,536
Council Tax Collection	95.4%	95.5%

2.8 Year on Year Volume Comparisons

	31.03.13	31.03.14	31.03.15
Direct Debit Payers	89,081	91,545	93,428
Discount Recipients	67,950	70,225	71,957
Pensioners discounts	13,856	14,011	11,482
Exempt Persons	4,189	1,908	2,203
No. of Amended/Copy Accounts	117,795	126,212	128,006
No. of Returned Direct Debit Payments	11,018	12,891	12,045
Payments: Direct Debits	900,217	945,527	966,861
Cash/Cheque	24,310	70,384	73,151
Salaries/Wages	12,517	11,497	10,393
Debit/Credit Card	57,651	78,915	84,325
Paypoint	29,349	44,092	42,947
Post Office	57,298	77,203	74,488
Dept. for Work & Pensions	27,012	35,102	57,662
Bailiff	16,276	14,675	14,972

BUSINESS RATES (NATIONAL NON DOMESTIC RATES)

2.9 There was a small increase in the number of properties and in 2014/15 collection substantially increased from 96.9% to 98.2%.

2.10 Collection Summary 2014/15

	£	£
Opening Debit		86,659,964
Plus Balance Brought Forward		6,769,892
Less Credit b/f		<u>1,026,876</u>
		92,402,980
<u>Allowances</u>		
Assessment changes in year	-895,928	
Transitional Relief	445,112	
Empty relief	-780	
Empty relief exemptions	-3,855,495	
Part Occupation relief	-76,828	
Charitable Organisations	-5,269,653	
Rural Relief	-578	
Small Business Rate Relief (SBRR)	-6,323,493	
Multi Occupation SBRR	-16,419	
Local Disc/Flood/Retail	-1,336,584	
Re-Occupation Relief	-35,724	
Write-Offs	-1,341,795	
Interest	<u>4,010</u>	<u>-18,704,155</u>
		73,698,825
Add Refunds made		3,675,527
Add costs		<u>48,695</u>
		77,423,047
Less Cash Received		<u>-71,373,609</u>
Balance Carried Forward		<u>6,049,438</u>

2.11 Debt Recovery Action

	2013/14	2014/15
Summonses	724	620
Liability Orders	665	536
Chargepayers on Direct Debit	1,979	2,023

Irrecoverables

2.12 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 2014/15.

2.13 Category	2013/14	2014/15
	£	£
Absconded/Irrecoverable	521,447	526,660
Insolvency	507,420	878,266
Miscellaneous (including deceased)	-8,186	-63,131
Total	<u>1,020,681</u>	<u>1,341,795</u>

2.14 Statistics

	2013/14	2014/15
Number of Properties on Valuation List	8,202	8,228
Rateable Value	£181,379,353	£180,338,530
New and Altered Property Notifications	1,788	1,361
Collection Rate	96.9%	98.2%

2.15 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 reports to Cabinet and two buildings are currently being built. To date there have been no completed buildings within the Zone for Business Rates purposes.

2.16 Cabinet agreed on 10 April 2014 to use High Street Innovation Fund monies (£100,000) to support the Wirral Chamber of Commerce to draw up proposals relating to the establishment of a Birkenhead Business Investment District (BID), which would be the first BID for Wirral. A progress report is being presented to Cabinet on 13 July 2015 which refers to the additional resources required for the Council to levy and collect this additional sum (if the BID is agreed).

2.17 Central Government is currently undertaking a fundamental review of Business Rates and have indicated that whatever the outcome the preferred option is for a property based tax which must be fiscally neutral in that the current amount raised of £23 billion must be raised by any replacement. The review will report its findings to inform the Spending Review and Budget for 2016/17.

- 2.18 In setting the Council Budget for 2015/16 it was agreed to implement a scheme awarding a local discount to a number of companies paying the Living Wage. The Living Wage Discount Policy was submitted to Cabinet on 29 June 2015.

SUNDRY DEBTOR ACCOUNTS

- 2.19 During 2014/15 invoices totalling £106 million were raised and income of £97 million collected. Whilst there was an increase in the level of outstanding debts at 31 March 2015 compared to 31 March 2014 this was adversely affected by the issuing of £14 million of invoices in the final week. These were primarily from Families & Wellbeing and Transformation & Resources and in respect of NHS bodies and the Merseyside Residuary Body debt administered by the Council. Over £17 million of income was received during April 2015 with the outstanding debt at 30 April 2015 being £26.2 million (compares to £25.7 million at 30 April 2014).

2.20 Collection Statement

	2013/14	2014/15
	£	£
Balance Brought Forward at 1 April	30,006,306	23,493,755
Net Amount of Invoices	<u>99,552,730</u>	<u>105,535,382</u>
	129,559,036	129,029,137
Less Write-Offs	<u>3,962,531</u>	<u>861,457</u>
	125,596,505	128,167,680
Payments Received	<u>102,102,750</u>	<u>97,276,976</u>
Balance Carried Forward at 31 March	<u>23,493,755</u>	<u>30,890,704</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
2014/15	48,879	£105.5m	£30.9m

- 2.22 The table below outlines Departmental Debt as at 31 March 2015

Department Description	Less than 10 days	1 st Reminder	2 nd Reminder	3 rd Reminder	Total as 31.03.15	Land Charges
	£	£	£	£	£	£
Chief Exec	97,818	10,889	38,301	737,275	884,283	180
Neighbourhood	50,607	0	979	13,174	64,760	0
Transformation	6,864,838	566,889	29,997	1,093,841	8,555,565	39,433
Families	8,560,070	1,980,063	446,652	9,133,734	20,120,519	2,130,602
Regeneration	589,367	52,289	78,793	784,686	1,505,135	250,888
Policy and Perf	5,581	0	123,857	1,600	131,038	-
Totals	16,168,281	2,610,130	718,579	11,764,310	31,261,300	2,421,101

2.23 The figures are for invoices in respect of the period up to the end of March 2015. Payments as well as amendments such as write-offs and debts cancellations continue to be made after this date on all these accounts and the unallocated receipts at 31 March leave a balance of £30,890,704.

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.

Irrecoverables

2.25 Sums over the limit of delegation £1,000 and below £5,000 require Cabinet approval. For each case over £5,000 the approval is in respect of individual cases for which explanations are provided to Cabinet.

2.26 Work has been undertaken during the year to check accounts and submit debts for write off to Cabinet and those agreed to date for 2014/15 are:-

Cabinet Date	Debtors DASS	Debtors Other	HB Overpayments	Total
	£	£	£	£
06.11.14	130,137	-	-	130,137
15.01.15	192,100	-	-	192,100
10.02.15	-	-	59,663	59,663
Total	322,237	-	59,663	381,800

2.27 Further sums totalling £479,656 are proposed for write off comprising £418,397 of Adult Social Services debtors and £61,259 of other Departmental debts. The cases above £5,000 are detailed in the Annex.

Debt – Value	Adult Social Services		Other Directorates	
	Number	£	Number	£
<£1,000	649	109,554	123	4,713
£1,000-£5,000	46	91,536	12	27,324
£5,000	16	217,307	4	29,222
Total	711	418,397	139	61,259

Reason for write off	Adult Social Services		Other Directorates	
	Number	£	Number	£
Irrecoverable	597	338,902	117	42,748
Statute Barred	5	20,919	8	5,267
Deceased	102	33,471	1	763
Liquidation	7	25,105	13	12,581
Total	711	418,397	139	61,259

HOUSING BENEFIT OVERPAYMENT DEBTS

2.28 The following Housing Benefit overpayment debts, including those referred to in Section 2.26, were written off in 2014/15.

Reason	No	£
Elderly	13	3,600
Bankrupt	52	13,861
Deceased	77	20,011
Statute Barred	116	38,906
Small Balance	84	1,761
Uneconomic to pursue	172	20,725
Total	514	98,864

HOUSING ACT ADVANCES

2.29 No new advances were made in 2014/15. 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. The management of the remaining accounts have been brought in-house as the costs of remaining with the current supplier were prohibitive and in excess of the loans outstanding.

2.30 Collection statement

	2013/14 £	2014/15 £
Arrears Brought Forward	2,892	2,504
Charges	<u>17,025</u>	<u>9,309</u>
Total	19,917	11,813
Cash Collected	<u>17,413</u>	<u>10,147</u>
Arrears Carried Forward	<u>2,504</u>	<u>1,666</u>

2.31 Housing Act Advances Five Year Collection Details

Financial Year	Amount Collectable £	Arrears £	Number of Accounts
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
2014/15	11,813	1,666	7
Total of loans outstanding at 31 March 2014			£27,754
Total of loans outstanding at 31 March 2015			£19,151

IRRECOVERABLE DEBTS

2.32 Under delegated powers and previous Cabinet approval written off as irrecoverable against the provision for bad debts are the following:-

	£
Council Tax	1,003,779
Business Rates	1,341,795
Sundry Debtors	861,457
Housing Benefits Overpayments	<u>59,663</u>
Total	<u>3,266,694</u>

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 2014/15. 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 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

7.1. None in relation to this report

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

8.1 Debts written off as irrecoverable are charged against the Council provisions for bad debts which are reviewed annually in accordance with the requirements of accounting practice. At 31 March 2015 the provision for Council Tax stood at £11.2 million and for Sundry Debts at £7.9 million.

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 RECOMMENDATIONS

- 13.1
- a) The Council Tax in-year collection rate of 95.5% being an improvement upon the 95.4% rate in 2013/14 be noted.
 - b) The Business Rates collection rate increased to 98.2% in 2014/15 from 96.9% in 2013/14 be noted.
 - c) The Sundry Debtors arrears at 31 March 2015 stood at £30.9 million which was an increase on the position at 31 March 2014 for the reasons set out be noted.
 - d) That the sundry debts for Adults Social Services and Other Directorates detailed in the report be written-off against the Provision for Bad Debts.

14.0 REASONS FOR RECOMMENDATIONS

14.1 To inform Members of the collection activity undertaken in these areas.

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

ANNEX

Sundry Debtor Accounts – Write-Offs over £5,000

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SUBJECT HISTORY

Council Meeting	Date
Cabinet - Collection Summary 2011/12	21 June 2012
Cabinet - Collection Summary 2012/13	13 June 2013
Cabinet - Collection Summary 2013/14	7 July 2014

SUNDRY DEBTOR ACCOUNTS – WRITE-OFFS OVER £5,000

DEBTORS - ADULT SOCIAL SERVICES

Case	Reason For Write-Off	Amount
1	Deceased	5,781.37
2	Deceased	6,136.45
3	Irrecoverable / Deceased	6,285.63
4	Irrecoverable / Deceased	8,555.23
5	Deceased	10,045.02
6	Irrecoverable	10,600.09
7	Irrecoverable	13,178.53
8	Deceased	13,881.60
9	Deceased	13,881.60
10	Deceased	64,580.12
11	Deceased	5,230.80
12	Irrecoverable	5,532.86
13	Irrecoverable	10,000.00
14	Irrecoverable	13,306.87
15	Irrecoverable	15,872.46
16	Liquidation	14,438.62

Case	Details
1	Invoice dated 06/02/14, amount £5,781.37 in relation to accommodation charges from 20/03/2007 to 5/12/2012. The Client is deceased and a probate search produced a negative result, leaving no one to pursue for the outstanding debt.
2	Invoice dated 25/11/2013, amount £6,136.45 relates to the final amount outstanding for residential / nursing home charges up to 17/06/2011. The client is now deceased. The estate was distributed by the executor prior to being made aware of the debt.
3	Invoice dated 29/04/2014, amount £6,285.63 relates to the final amount outstanding for residential / nursing charges up to 26/07/2013. The provision was not authorised until after the client's death so the Client was therefore not formally notified of the charge.
4	Invoice dated 09/05/2013, amount £8,555.23 relates to the final balance outstanding for Residential care up to 11/03/2013. The Client is deceased and there is evidence to show that there are no funds in the estate to pay the debt.
5	Invoice dated 13/05/2010, amount £10,045.02 relates to the final account for accommodation charges, for the period 11/9/2004 to 31/12/2009. The Client is deceased and a probate search produced a negative result, leaving no one to pursue for the outstanding debt.
6	Invoice dated 02/05/2014, amount £10,600.09 was a final invoice and relates to an amalgamation of accommodation charges specifically raised, for recommendation for write off. There are no electronic or paper records available to prove the debt and therefore it cannot be pursued.

7	Invoice dated 29/04/2014, amount £13,178.53 relates to accommodation charges from 02/04/2007 to 23/02/2014. Prior to Recovery Team involvement the clients was spending on items other than care. The Team have secured payment going forward however evidence has been provided to show there are no funds available to pay the arrears.
8	Invoice dated 27/11/2012, amount £13,881.60 and relates to the final balance for accommodation charges from 12/10/2010 to 18/10/2012. The Client is deceased and a probate search produced a negative result, leaving no one to pursue for the outstanding debt.
9	Invoice dated 20/03/2013, amount £13,881.60 relates to the final balance outstanding for accommodation charges up to 26/07/2012. The Client is deceased and a probate search produced a negative result, leaving no one to pursue for the outstanding debt.
10	Invoice dated 13/02/2013, amount £64,580.12 relates to the final balance outstanding for nursing care charges up to 06/11/2012. The client never disclosed his finances and so was treated as full cost. Since his death it has since been identified that his income would have reduced his charge to approximately, 40% less than the outstanding balance. The probate search has produced a negative result, there is no-one to pursue for the debt.
11	Invoice dated 11/04/2013, amount £5,230.80 relates to the final balance for nursing care charges up to 08/03/2012. The Client is deceased and a probate search produced a negative result, leaving no one to pursue for the outstanding debt.
12	Invoice dated 08/01/2014, amount £5,532.86 raised for support at home charges up to 17/11/2013. The Client is paying the charge going forward and has cleared £2,000 from the arrears. No further funds are available. Legal advice is that there is no prospect of recovery.
13	Invoice dated 17/09/2013, amount £10,000 relates to the final account for support at home charges for the period 19/11/2007 to 10/03/2013. A Compromise agreement signed by DASS Head of Business Management and the Interim Director of Finance saw the client's estate pay £50,148.10. The remainder of the debt is to be written off.
14	Invoice dated 09/01/2014, amount £13,306.87 relates to accommodation charges from 12/06/2007 to 01/12/2013. The client does not have funds available to pay as her finances have been inappropriately managed in the past. The current home owners are now paying the four weekly charges correctly. No prospect of recovery.
15	Invoice dated 01/07/2013, amount £15,872.46 relates to final residential care charges up to 04/12/2012. The Council is now the appointee for the client, but there are no funds available to pay the outstanding arrears. Client only receives a personal allowance which cannot be used to recover the debt.
16	Invoice dated 03/08/2010, amount £14,438.62 raised by Department of Adult Social Services and relates to overpaid nursing fees. (Period not known). Was referred to the Legal Department and the debtor had gone into Liquidation. A claim was lodged with the liquidators as an unsecured debtor and that a final dividend had been paid out so no prospect of balance being settled.

DEBTORS – OTHER

Case	Reason For Write-Off	Amount
1	Irrecoverable - Insufficient evidence	6,530.40
2	Irrecoverable - Insufficient evidence	10,000.00
3	Liquidation / Bankruptcy	6,550.63
4	Irrecoverable	6,140.50

Case	Details
1	Invoice dated 23/08/2012, amount £6,530.40, for ITS Computer Service Level Agreement 2012/13 for a Study Support Centre. Legal Services have been unable to acquire sufficient evidence and documentation to support the claim to pursue recovery and recommend write off.
2	Invoice dated 16/12/2009, amount £10,000 for supplying and erecting two Vehicle activated boundary signs. Legal Services have been unable to acquire sufficient evidence to support the claim and pursue recovery and recommend write off.
3	Invoice dated 09/08/2013, amount £6,550.63 for Roadside advertising which related to an amalgamation of invoices. Company went into liquidation / bankruptcy leaving little prospect of the claim being settled. The Legal Team subsequently recommended the debt be submitted for write off due to Liquidation / Bankruptcy
4	Invoice dated 28/04/2011, amount £6,140.50 for repayment of sick pay advanced following a Road Traffic Accident in July 2007. All practical efforts to recover the balance of this debt have proved unsuccessful, including referral to a debt collection agency. Legal Team advised that if proceedings were issued, the action would not present a realistic or cost effective prospect of recovery. Recommendation made to submit the balance outstanding for write off.