

Report of:	Head of Finance
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Key Decision:	No
Report Track:	Cabinet: 17/10/19

CABINET
17 OCTOBER 2019
REVENUES AND BENEFITS COLLECTION REPORT – QUARTER 1

1 Purpose of Report

- 1.1 To inform Cabinet of the performance of the Revenues and Benefits Service as regards:
- collections of Council Tax during the first quarter of the financial year.
 - collections of Business Rates during the first quarter of the financial year.
 - the recovery of overpaid Housing Benefit during the first quarter of the financial year.
- 1.2 To seek approval to the write off of the arrears listed in the **CONFIDENTIAL APPENDICES**.

2 Reason(s) for Appendices being ‘Not for Publication’

- 2.1 In accordance with the provisions of Schedule 12A of the Local Government Act 1972 (as amended), the Appendices are considered ‘not for publication’ under the following categories of exemption:
- Exempt Paragraph 2 – Information which is likely to reveal the identity of an individual.
 - Exempt Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the Council).

3 Recommendation(s)

- 3.1 That the information regarding collections be noted.
- 3.2 That the arrears listed in the **CONFIDENTIAL APPENDICES** be written off.

4 Key Issues and Reasons for Recommendations

- 4.1 Efficient collection of the Council's revenues is of major importance to the funding of Council services and those provided by our preceptors.
- 4.2 Council Tax due for the current year amounts to £52.4M, of which some **28.3%** was collected by the end of the June.
- 4.3 Business Rates due for the current year amounts to £33.5M of which some **26.3%** was collected by the end of the June.
- 4.4 Whilst our collection rates are good, regrettably not all of the monies owed to the Council can be collected and this report contains a recommendation to write off bad debts which cannot be recovered.

5 Relationship to Corporate Priorities

- 5.1 Not Applicable.

6 Report Detail**Council Tax**

- 6.1 Council Tax is collected on behalf of the District Council, Parish Councils and our Major Preceptors (Staffordshire County Council and Commissioner for Police, Crime, Fire and Rescue). The effect of the Collection fund arrangements means that Cannock Chase Council retains around 12.4% of the council tax collected.
- 6.2 Council taxes due for 2018-19 financial year amounted to £49.6M, of which some **97.4%** was collected by the end of the financial year. This almost matches the previous year, which was 97.5%. Action continues to be taken to recover the remainder, alongside the current year's charges. As at the end of June the collection rate had increased to 98.3%
- 6.3 Prior year arrears of £6,919,942.69 existed at 1 April 2019, but had reduced by £3,68,068.03 to £6,551,874.66 by the end of June.
- 6.4 In accordance with the Council's approved policies, all reasonable and lawful attempts are made to recover all amounts due. In the first instance this involves the issue of bills, reminders and final notices, followed by Summonses in the Magistrates Court where the warning notices are not effective. At all stages of this process, debtors are encouraged to engage in voluntary arrangements to repay their arrears, to prevent the need for formal action.

Where necessary and when Liability Orders are granted by Magistrates, the Council uses its powers to make deductions from earnings and benefits of debtors, where it can, and instructs Enforcement Agents where such deductions are not possible or appropriate.

In the most severe cases and for debts exceeding £5,000, the Council will consider personal bankruptcy action against individuals.

6.5 The recovery powers available to the Council are considerable but not completely infallible. There are occasions when bills are not paid and the debts cannot be recovered.

6.5.1 Statutory safeguards such as Debt Relief Orders, Individual's Voluntary Arrangements exist to protect debtors suffering hardship, to attempt to the expensive, stressful and sometimes ineffective process of personal bankruptcy. Where a debt is included in such an instrument, or when a debtor is bankrupt, our ordinary recovery powers cannot be used.

6.5.2 For any of our powers to be effective we need to know the whereabouts of a debtor and this is not always the case. Where debtors abscond we will use all reasonable endeavours to trace them and are often successful in doing so. Unfortunately, on occasions this is not so and we must submit a debt for write off.

Our trace procedures include;

- Checking our internal Council systems, and following any information which may help us to trace the debtor.
- Using the Locating Council Tax Absconders (LoCTA), a Local Authority data sharing system, to check for forwarding addresses at other Local Authorities,
- Use of Transunion credit reference agency data.
- Trace and collect facilities offered by our Enforcement Agencies
- Visits to the last known address by the Council's Property Inspector and use of external tracing agents.

Unfortunately, legislation does not currently permit access to DWP or HMRC records to trace Council Tax debtors or their employers, though a Cabinet Office project is currently reviewing this.

Data protection legislation allows us to receive information as to a debtor's whereabouts but we cannot disclose information to other creditors. Reciprocal arrangements with utility companies and similar are not therefore workable.

6.6 Irrecoverable council tax debts in the sum of £19,760.63 are listed in the confidential appendix to this report.

Business Rates

6.7 Business rates income now forms a part of the Council's core funding, with around 29% of receipts being retained by this Council. The remainder is collected on behalf of Central Government and our major preceptors.

6.8 Business Rates due for the current year amounts to £33.5M of which some **26.3%** was collected by the end of the June. Again we would anticipate the collection rate to match last year's performance of 98.9%.

- 6.9 Prior year arrears of £ £1,250,474.61 were outstanding at the beginning of April, and were reduced to £1,238,469.95 by 30 June. A reduction of £12,004.66, net of increases due to new assessments and increased charges and valuations.
- 6.10 The recovery powers available to us are again contained in the Council's approved policies and are used in full. Those powers and our procedures are similar to the council tax powers described above, with the exception that deductions from individuals' benefits and earnings are not permissible, even if the debtor is an individual.
- 6.11 Where rates are owed by an individual, similar safe guards exist for the debtors and trace facilities are used by the Council for absconding debtors, as described above.
- 6.12 Additionally, in the case of business rates, as has been reported to Cabinet previously, our collection efforts are sometimes frustrated by weaknesses in legislation. Rates are due from the occupiers rather than the owners of property and where the occupier is a company, we can only recover from that company. Some proprietors will strip a company of its assets, or dissolve the company before we have had an opportunity to implement our recovery procedures. A new company is then formed in a similar style, to trade from the same premises.

Central Government has previously undertaken to review the loopholes that exist in rating and company legislation, though no changes have yet been received. Your officers continue to actively monitor these issues.

- 6.13 The confidential appendix to this report lists business rate debts of £34,279.35 which cannot be recovered for the reasons stated and for which approval to write off, is requested.

Housing Benefit Overpayments

- 6.14 The Council manages the Housing Benefit scheme on behalf of the Department for Work and Pensions, who fund the cost of benefits paid to claimants. Payments made amount to over £20m per year.
- 6.15 Overpayments of Housing Benefit are usually caused by claimants claiming more money than they are entitled to, or not informing us of changes to their circumstances, as they should, when they become entitled to smaller payments rather than this Council overpaying an individual. Your officers do take actions to make sure, as far as they can, that claimants notify us of changes, but sometimes claimants do not contact us. As a result, we have to recharge their benefit, after the event.
- 6.16 The Council must and does seek the repayment of benefits that have been overpaid, and an amount of £222,785.22 was recovered in the first quarter of this financial year.
- 6.17 Legislation has been amended in recent years to permit the use of DWP and HMRC records to trace Benefit Overpayment debtors and recover the sums due. This has contributed to increased rates of recovery as demonstrated here and

we await legislation permitting the use of this data for the recovery of other debts owed to the Council.

- 6.18 Inevitably, some overpayments are not recoverable. One irrecoverable Benefit Overpayment debt in the sum of **£6,197.03** is included in the **CONFIDENTIAL APPENDIX** to this report.

7 Implications

7.1 Financial

Under the Business Rates Retention Scheme, business rates write offs will no longer be offset against the National Non-Domestic Rating Pool. Write offs will now form part of the costs of collection of business rates. The Business Rates write offs in this report are 5 cases totalling £34,279.35. This represents 0.1% of the outstanding collectable debit as at 1 April 2019.

Council Tax write offs are losses to the Collection Fund and, as such, form part of the cost of collection incurred by this Council. The Council Tax write-offs on this report are 10 cases totalling £19,760.63. This represents 0.04% of the outstanding collectable debit as at the 1 April 2019.

The cost of collecting the debts has been considered as part of the decision to put them forward for write off. If further information does come forward about the whereabouts of any of the individual debtors the Council will pursue recovery action.

Cabinet are asked to write off the debts as they are considered to be irrecoverable for the reasons given in the appendices. The debts remain legally due to the Council and should the circumstances causing the write off in any particular case, subsequently change, recovery action may be recommended.

7.2 Legal

Cabinet are asked to write off the debts as they are considered to be irrecoverable for the reasons given in the appendices. The debts remain legally due to the Council and should the circumstances causing the write off in any particular case, subsequently change, recovery action may be recommended.

7.3 Human Resources

None.

7.4 Section 17 (Crime Prevention)

None.

7.5 Human Rights Act

None.

7.6 Data Protection

The appendices to this report contain personal information and are therefore not published.

7.7 Risk Management

The risk issues contained in this report are not strategic and therefore should not be included in the Strategic Risk Register.

7.8 Equality & Diversity

None.

7.9 Best Value

None.

8 Appendices to the Report

Appendix 1: Council Tax write-offs over £1,000.

Appendix 2: Non-Domestic Rates write offs over £1,000.

Appendix 3: Housing Benefit Overpayments write offs over £1,000.

Previous Consideration

None

Background Papers

None