

Report of:	Head of Finance
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Key Decision:	No
Report Track:	Cabinet: 11/07/19

CABINET
11 JULY 2019
REVENUES AND BENEFITS COLLECTION REPORT

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 2018-2019 financial year.
 - collections of Business Rates during the 2018-2019 financial year.
 - the recovery of overpaid Housing Benefit during the 2019-20 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2 Reason(s) for Appendices being 'Not for Publication'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with the provisions of Schedule 12A of the Local Government Act 1972 (as amended), the Appendix is considered 'not for publication' under the following categories of exemption: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 Recommendations

- 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 The report detail below will explain that over £82.5M was collected by the Revenues and Benefits Service in the last financial year.
- 4.3 Collection rates for Council tax due amounted to £49.5M, of which some **97.4%** was collected by the end of the financial year. As at the end of May the collection rate had increased to 98.1%.
- 4.4 In 2018-19 some £33.7M was due from local businesses, of which 98.9% was recovered by the end of the financial year. By 31 May, the collection rate had reached 99.0%. In addition the amounts outstanding in respect of periods prior to April 2018 reduced from £1.8M to £944K in the financial year.
- 4.5 Regrettably not all of the monies owed to the Council can be collected and this report contains a recommendation to write off bad debts in the sum of £67,864.16, in accordance with the Scheme of Delegation.
- 4.6 The amount attributable to Cannock Chase Council amounts to approximately £800 (Council Tax) and £17,809 (Business Rates).

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 May the collection rate had increased to 98.1%
- 6.3 During the 2018-19 financial year, your officers continued to recover amounts that were unpaid for periods up to and including 31 March 2018. Those arrears reduced by **£1.1M** (from £6.5M to £5.4M) over the course of the year, with action still continuing.
- 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 £6,451.30 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 In 2018-19 some £33.8M was due from local businesses, of which 98.9% was recovered by the end of the financial year. This compares well to the 98.6% collected in the previous year, but again our efforts continue to recover the balance alongside this year's charges. By 31 May, the collection rate had reached 99.0%.
- 6.9 The amounts outstanding in respect of periods prior to April 2018 reduced from £1.8M to £896K in the financial year. This is particularly pleasing as the reduction of nearly £1M is a net reduction after increased charges from a number of new assessments which were brought into rating, by the Valuation Office Agency, retrospectively.
- 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 £61,412.86 which cannot be recovered for the reasons stated and for which approval to write off, is requested.

Housing Benefit Overpayments

- 6.14 The funding of the Housing Benefit scheme is a little complex and of recent times, the government's contribution to the cost of the administration is significantly reduced. Government funding is received in 3 ways.
- 6.15 An **Administration Grant** is paid towards the cost of managing the function (staffing, technology, accommodation etc). This grant is routinely less than the cost of providing the service and so the Council has a shortfall to fund.

- 6.16 Some **Specific Grants** are paid from time to time to contribute to the council's expense in New Burdens created by government initiatives and legislative changes. In recent times, these grants have been paid in respect of fraud prevention, Universal Credit support and developments in Information and Communications Technology. Such grants are not significant in the wider scale of the service and are often matched by liabilities to our software systems providers.
- 6.17 **Housing Benefit Subsidy** is the mechanism by which the benefits paid to claimants is funded. Wherever the Council pays Housing Benefit properly in accordance with the legislation, DWP meet 100% of the amounts paid.
- 6.18 There are occasions when a claimant is paid more benefit than they due, as a result of errors by either the DWP or Council, or fraud or error on the part of the claimant. This is called an overpayment and differing rates of subsidy apply to the different categories.

Overpayments caused by DWP error are funded by DWP **100%**

Overpayments caused by fraud or claimant error attract subsidy of **40%**.

Overpayments caused by Local Authority Error receive a sliding scale of subsidy

- **NIL** if our errors total more that 0.54% of all benefits paid in the year
- **40%** if our error rate is between 0.48% and 0.54%
- **100%** if our error rate is less than 0.48%.

For several years our error rate has been less than 0.48% and full subsidy received.

- 6.19 Notwithstanding the subsidy paid by DWP, the Council can and is expected to seek recovery of the overpaid benefit from the recipient, except in the case of DWP error, or a Local Authority error which the claimant could not have reasonably recognised as an overpayment at the time he was paid.
- 6.20 During the 2018-19 financial year, overpayments were raised in the sum of £872,846.60. The amounts recovered during the year were £911,459.27, meaning that we collected more than we raised during the year. A comparison of 104.4%.

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.

- 6.21 There are no Benefit Overpayment debts recommended for write off in 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 12 cases totalling £61,412.86. This represents 0.2% 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 4 case totalling £6,451.30. This represents 0.01% 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 recommenced.

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 recommenced

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

Background Papers

None