

SUBJECT:	<i>South Bucks District Council Arrears Collection Project</i>
REPORT OF:	<i>Cllr Trevor Egleton</i>
RESPONSIBLE OFFICER	<i>Mrs Nicola Ellis Head of Customer Services</i>
REPORT AUTHOR	<i>Richard Charters 01494 732272 rcharters@chiltern.gov.uk</i>
WARD/S AFFECTED	<i>All</i>

1. Purpose of Report

The purpose of this report is to update Members on the progress of the project to recover arrears of Council Tax, Business Rates and Housing Benefit overpayments

2. Recommendations

The PAG is asked to advise the Portfolio Holder on the following recommendation(s):

RECOMMENDATION to Cabinet

- **Members are requested to note the progress of the South Bucks District Council Recovery project**
- **To authorise the write off of specified non domestic rates with values over £10,000 where all previous recovery attempts have failed and there are no further routes of recovery as set out in the confidential appendix.**

Cabinet to consider the advice of the Portfolio Holder and any comments arising from the PAG.

3. Reasons for Recommendations

At the commencement of the project it was agreed that progress would be reported to members. Throughout the project there will be debts that are to be written off as we are unable to recover, under the financial procedure rules write offs over £10,000 are to be authorised by cabinet.

4. Content of Report

Recovery Project Update

4.1 On 1 May 2016 Chiltern District Council and South Bucks District Council became a joint Revenues and Benefits Service. As a result of the service review the amount of council tax, non domestic rates arrears and housing benefits overpayments outstanding at South Bucks District Council was highlighted as an area where the new service could act to improve recovery of these debts. This action would bring increased income to South Bucks District Council, Buckinghamshire County Council, Thames Valley Police Authority and Buckinghamshire & Milton Keynes Fire Service.

4.2 When the Joint Service Business case was submitted to Members on 16 November 2015 the following income was estimated to be achieved via the project:

South Bucks portion of income	£ Total over two years
South Bucks net income for Council Tax and Business Rates (minus costs)	26,806
South Bucks income from Housing Benefit overpayments	71,290
Total income for South Bucks from Council Tax, Business Rates and Housing Benefit overpayments	98,096

4.3 At the commencement of the project protocols were set up to determine what proportion of the debt outstanding would become the Joint Service's responsibility and what proportion would remain the responsibility of Northgate Public Services. It was agreed that all debts outstanding up to 31 October 2015 would become the responsibility of the Joint Revenues Service.

4.4 Following this decision, all accounts that fell into this criteria were required to be separately coded on the Academy Software system used by Northgate to ensure there was a clear distinction for Officers to establish their lines of responsibility. This was a difficult and complex procedure that did take several months to set up properly. The result of this separation of debts established the following starting point of arrears outstanding for the Shared Service to collect.

Debt	Total Debt Outstanding	Total Number of payers with Debt Outstanding
Council Tax	£2,554,126.85	1611
Non Domestic Rates	£843,773.12	90
Housing Benefit Overpayments	£1,378,046.52	1481

Housing Benefits Overpayments

4.5 Initially the Recovery Project has focused on the collection of the overpayments of housing benefits. The collection of these debts generates the highest percentage of income to South Bucks DC.

4.6 Housing Benefit overpayments arise when a customer fails to tell us about a change of circumstances that reduces their benefit prior to a payment being made., They are the most difficult debt to recover due to the low incomes and vulnerabilities of the people that are being recovered from and the lack of enforcement powers available to recover the debts. For housing benefit overpayments Enforcement Agents do not have the power of enforcement

unless a county court judgement is obtained which is expensive and requires a high amount of staff/legal resource to initiate.

4.7 All overpayments were reviewed, resulting in arrangements being set up to recover a significant number of cases via deduction from the benefit claimants on going benefit entitlement. To date this recovery action has generated an income of approximately **£36,000** and arrangements have been set up which we estimate will bring in approximately **£4500** per month.

4.8 The review of all overpayments has also resulted in the correct allocation of other payments which has led to an overall reduction of outstanding overpayments from the initial starting balance total of £1,378,000 to £1,261,000.

In total the debt outstanding from the starting balance has reduced down by £117,000.

The next course of action for the outstanding cases is to again refer to Enforcement Agents who would act as collecting agents for the debt. However it is accepted that at the end of the project there will still be amounts outstanding that are being collected from on going benefit and outstanding amounts where recovery is not deemed likely will be written off.

Non Domestic Rates

4.9 On 17 October 2016 ninety three non domestic rates cases totalling £406,378.53 have been passed to Enforcement Agents to collect.

Nineteen cases totalling £25,156.05 have been written off by the Head of Service in line with the Financial Procedure Rules as unable to collect due to the reasons of, unable to trace, small amounts and deceased payers.

4.10 Six cases totalling £125,858 are submitted in the confidential section of this report for approval for write off by Cabinet as each of the company or person's debt is over the value of £10,000. The reasons for write off are either the companies have been dissolved by Companies House so there are no means to recover the debt or the persons have absconded and despite tracing efforts no forwarding address has been found.

4.11 Eighty five cases totalling £286,380.54 still require further tracing and recovery action or have been referred back to Northgate Public Services for amendment/ reduction in liability or further recovery action.

In total the debt outstanding from the starting balance has reduced down by £85,784.

To date we have received approximately **£34,000** in payments from the Enforcement Agent.

Council Tax Recovery

4.12 Due to the high volume of individual Council Tax debts the following actions have been taken:

- With effect from 9 January 2017 the Joint Revenues Service has commenced passing over all appropriate council tax accounts to Enforcement Agents to collect, to date £1,463,066 in debt has been passed over to recover.
- Credit checks been taken to establish forwarding addresses prior to enforcement action for these accounts to ensure higher potential success rates and to reduce complaints from occupants of properties.
- This recovery action follows a statutory procedure in which the Enforcement Agent is required to write to the Council Tax payer confirming the amount of debt owed, the date the liability orders were granted and the financial year for which the liability relates. The council tax payer is given a minimum seven days to respond to this Notice otherwise enforcement action may commence.
- Debts totalling £1,091,060 have either been referred back to Northgate PLC for them to initiate court action or further recovery, amend/reduce the council tax liability or are still awaiting transfer to Enforcement Agents to collect.

In total the debt outstanding from the starting balance has reduced down by £93,637.83.

Given the fact that these debts have only recently been referred to the Enforcement Agents on a weekly basis from 9 January 2017 it is anticipated that the income recovery will increase substantially over the coming six months. Over the last four weeks we have received approximately **£6500** from the Enforcement Agents as well as payments direct from customers. We are unable to quantify these at the present time as we are awaiting a bespoke system report.

4.13 Over the past fortnight contact from customers has increased dramatically and we have been making arrangements with customers to clear their debt. When cases are returned from the Enforcement Agents as unable to collect the following actions will be available to take depending on each individual circumstance;

- Attachment to earnings order
- Attachment to benefits order
- Special arrangement.
- Committal to prison
- Bankruptcy
- Write off

Costs of collection

4.14 The Revenues Service has not employed any additional resource to fund this project, but has seconded Chiltern District Council staff onto the project. The total number of hours spent and chargeable rate of this project to date are broken down in as follows:

Officer	Hours spent on project to date	Total cost £
Revenues Operations Manager	55 hours	£1480

Service Development Manager	15 hours	£334
Senior Income Management Officer	55 hours	£899
Income Management Officers	260 hours	£3497
Total		£6210

Other costs in relation to the project are broken down as follows:

Expenditure item	Cost	Total
One off cost Academy software training	£1175 for 6 officers	£1175
Experian credit checks	£1.00 each	£400
One off cost Additional software licenses	£408.00 each for three licences	£1224
Scripts to code outstanding debts		£1900
Total		£4699

4.15 The Enforcement Agents do charge South Bucks District VAT on the debts that they collect, but there is no direct cost to the Council as this is paid in fees by the council tax/business rates debtors. If the debt is unable to be collected by the Enforcement Agent no fees are charged to the Council. By employing Enforcement Agents it does keep the South Bucks District Council costs of collection to a minimum because they are fulfil the administration role of the Council by, taking payments, agreeing arrangements and writing to the debtors in relation to the debts outstanding.

Continuation of Project

4.16 The key areas that that Recovery Project will concentrate on over the next six months are;

- 1) Passing the remaining outstanding housing benefit overpayments to Enforcement Agents to collect.
- 2) Dealing with correspondence and taking further recovery options in respect of council tax and non domestic rates cases.

South Bucks District Council Write off requests

4.17 In accordance with the financial procedures rules Members are requested to consider the write off of six non domestic rates debts that have a balance outstanding of over £10,000 each as set out in the schedule in the confidential appendix. These cases have been picked up by the Joint Revenues Service during the review of outstanding business rates accounts.

5. Consultation

Not applicable

6. Options

To continue with the recovery project in order to maximise the amount of income to South Bucks District Council and other precepting authorities in accordance with the recommendations above.

Write off of debts- There are no further options available other than to write off the debts listed due to the fact that the companies in question no longer exist and the debtors cannot be traced.

7. Corporate Implications

7.1 The continuation of the Shared Service recovery project will maximise the highest possible income for South Bucks District Council and the other precepting authorities and will also highlight any debts that are irrecoverable in order that they be written off at a future stage in order to reduce the high level of arrears outstanding in respect of Council Tax, non domestic rates and housing benefit overpayments.

7.2 In respect of the write off requests the debts described are irrecoverable. However 50% of these amounts will be offset against payments to the non domestic rate pool. There will be a 40% loss of revenue to South Bucks District Council and 10% to Buckinghamshire County Council and Buckinghamshire and Milton Keynes Fire Authority.
The cost to the Council will be £50,343.04. However there is a provision for this in the accounts.

8. Links to Council Policy Objectives

This report relates to the Council's aim to deliver cost effective customer focused services and to optimise the best use of all resources.

By continuing with the Shared Service recovery project income will be maximised and arrears reduced.

By writing these debts off time will not be wasted pursuing debtors and companies for which there is no possibility of payment.

9. Next Steps

To continue with the pursuit of all outstanding council tax, non domestic rates and housing benefit overpayments.

As a result of the proposed decision the non domestic rate debts outstanding of £125,858 would be written off and the outstanding balance on the account reduced to £zero. The amount written off would be included in future Government returns in order that the Central non domestic Rate pool shared its 50% share of the financial loss.

