

Appendix 2 - Revenues Debtor Monitoring Outturn Position 2023/24



Audit Committee Meeting Date – 30th May 2024

Background

1. The Revenues and Benefits service is responsible for the billing and collection of Council Tax and Business Rates. It also identifies Housing Benefit Overpayments and are responsible for the invoicing and collecting of these.
2. The service is still working on four different legacy IT systems and has also inherited multiple Enforcement Agent contracts. Working on different systems makes it more difficult to fully streamline recovery processes although there is a high degree of similarity already. This variety of systems also means different approaches to the invoicing of Housing Benefit Overpayments with some being invoiced directly from the Benefits system and others via the Microsoft Dynamics finance system.
3. The key priority for the service over the next two years is to consolidate to a single IT system. This will unlock the ability to fully restructure, streamline processes, deliver efficiencies and improved collection. Work is underway to procure and implement this single consolidated system. The volumes of data and accounts make this a huge and complex exercise, and it will take 18 months to 2 years to complete. The service also aim to consolidate to a single Enforcement Agent contract as soon as is practicable.
4. Across the four former districts have inherited limited debt recovery focussed resourcing. This is proving particularly challenging post Covid with the local government reorganisation and with the cost-of-living crisis increasing the number of vulnerable customers the Council deal with. A single consolidated staffing structure will look to address this resource issue.

Council Tax

5. The total Council Tax in-year net collectable debt for the last financial year was £447 million. The Council retains 82% of the Council Tax collected so this is an

important revenue stream. The in-year collection rate is closely monitored on a monthly basis. Last year had a set target of 96.75%. In practice amount collected was over £432 million, which equates to 96.68%. This represents a good result given the economic climate and some cash posting problems earlier in the year that prevented early recovery actions. The high level of in year collection total is achieved through a high Direct Debit take up, regular reminders, court action and sending cases to Enforcement Agents. Action will continue to recover the 3.32% shortfall of £14.8m.

6. Detailed below is the movement in the amount of previous year arrears over the 2023/24 financial year:

| | | |
|--|--------|--|
| Previous year arrears brought forward at 1 April 2023 | £42.7m | |
| Previous year arrears at 31 March 2024 | £31.3m | A reduction of £11.4m or 26.7% over the year |
| Outstanding amount relating to the 2023/24 financial year at 31 March 2024 | £14.7m | |
| Previous year arrears brought forward at 1 April 2024 | £46.0m | i.e. £31.3m + £14.7m = £46.0m |

The breakdown of the previous year arrears outstanding at 1 April 2024

| | |
|---------------------------------|--------|
| Outstanding amount from 2023/24 | £14.7m |
| Arrears 2 – 5 years old | £21.3m |
| Arrears 6 years & older | £10.0m |
| TOTAL | £46.0m |

The table above highlights the fact that arrears collections is very much like reciprocal because at the end of every year debt owed is then aged debt and added into the outstanding totals.

7. With the Council Tax Net Collectable Debit increasing each year the number of unique accounts with balances gives a better indicator of progress. On 1 April

2023 this there were 112,344 outstanding accounts, which by 1 April 2024 had reduced to 101,702 accounts, a reduction of 10,642.

8. Arrears cases generally tend to backlog at the point they are returned by our Enforcement Agents, who typically are only successful in 40% of cases. The cases returned uncollected by them require in depth knowledge about the debtor to enable us to determine the most appropriate form of further enforcement action i.e. either attachment to earning or benefits, committal to prison, bankruptcy / insolvency, charging orders or write-off. These actions are often resource hungry and, in many cases, there is limited staffing capacity to progress action.

9. One of the districts ran a successful business case for 18 months, dedicating officers to solely be recovery focused on administering Council Tax and Business Rates debts. This improved their district collections by circa £0.7m and overall collections by circa £3.1m during a cost-of-living crisis. It also improved/evolved its working practices to include additional support of the most vulnerable customers. The outcome was that these recovery officers were made permanent and continue to be recovery focussed.

Business Rates

10. The total Business Rate net collectable debt last year was £168 million. 49% of the Business Rates collected is kept so this is an important revenue stream. The in-year collection rate is closely monitored on a monthly basis. Last year had a set target of 96.52%. In practice over £162 million was collected, which equates to 96.57%. This represents a good result given the economic climate and some cash posting problems earlier in the year that prevented early recovery actions. The respectable in year collection total is achieved through regular reminders, court action and sending cases to Enforcement Agents. Action will continue to recover the 3.43% shortfall of £5.75m.

11. Detailed below is the movement in the amount of previous year arrears over the 2023/24 financial year:

| | | |
|---|--------|---|
| Previous year arrears brought forward at 1 April 2023 | £13.3m | |
| Previous year arrears at 31 March 2024 | £10.1m | A reduction of £3.2m or 24% over the year |

| | | |
|--|--------|------------------------------|
| Outstanding amount relating to the 2023/24 financial year at 31 March 2024 | £5.7m | |
| Previous year arrears brought forward at 1 April 2024 | £15.8m | i.e. £10.1m + £5.7m = £15.8m |

The breakdown of the previous year arrears outstanding at 1 April 2024:

| | |
|---------------------------------|--------|
| Outstanding amount from 2023/24 | £5.7m |
| Arrears 2 – 5 years old | £8.4m |
| Arrears 6 years & older | £1.7m |
| TOTAL | £15.8m |

The table above highlights the fact that arrears collections is very much like reciprocal because at the end of every year debt owed is then aged debt and added into the outstanding totals.

12. With the Business Rate Net Collectable Debit increasing each year the number of unique accounts with balances gives us a better indicator to progress. On 1 April 2023 this was 5,443 accounts on 1 April 2024 this was 5,314 accounts, a reduction of 129.
13. Although smaller volumes of Business Rate cases they can often be more complex, in many cases involve limited companies with limited or no assets and with less recovery powers collection becomes more challenging.

Housing Benefit Overpayments

14. Housing Benefit overpayments are either recovered from ongoing benefit payments, or, where no benefit is in payment, invoices are issued and action is taken to pursue and recover these debts. The arrangements for invoicing vary. Two of the legacy district areas invoice directly from the Revenues & Benefits system. In the other two legacy areas the debts are transferred to the Finance system (Microsoft Dynamics) and invoiced from there. One aim through the system consolidation project is for all of these debts to remain within a single Benefits system.

15. The DWP provide subsidy for overpayments created, regardless of how much is collected. Overpayments can occur due to customer errors (“eligible”) or mistakes by the local authority (“Local Authority”). For “eligible” overpayments, the subsidy received is 40% of the overpayment amount. If fully recovered, the authority would receive the collected amount plus the subsidy (e.g., £140 for a £100 overpayment). “Local Authority” overpayments typically receive 0% subsidy. The DWP offers an incentive scheme to reduce “Local Authority” overpayments. Keeping these below specified thresholds can lead to up to 100% subsidy in addition to recovered funds.
16. Somerset Council gained over £182,000 through this incentive scheme. Please note that a decline in benefits performance may impact incentive payments.
17. Aged debts in Housing Benefit Overpayments are not monitored; however, the total debt is £2.85m although this does not currently include some outstanding invoices in respect of two of the former legacy Districts. This cannot currently be reported; however, work is continuing to identify the true outstanding figure.
18. There remains dedicated resource in former Somerset West & Taunton and Mendip areas that ensures all possible recovery actions are undertaken to maximise collections.