

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 2 OCTOBER 2012

Title:

ADDITIONAL FRAUD/ RECOVERY RESOURCES

[Portfolio Holder for Finance: Cllr Mike Band]

[Wards Affected: N/A]

Summary and purpose:

This report sets out the potential impact of the Government's reforms of business rates and council tax benefit on Waverley's income collection and seeks approval to strengthen the staffing resources in the revenues recovery/fraud teams to enable the Council to maintain high collection rates in the future.

How this report relates to the Council's Corporate Priorities:

The efficient and professional management of income collection ensures that the best possible collection rates are achieved. Such action falls within the Value for Money Corporate priority.

Equality and Diversity Implications:

Waverley treats all individuals consistently and fairly regardless of age, sex, gender, disability and sexual orientation and to ensure that individual's rights under data protection and human rights legislation is protected. The recommendations of this report are in line with these principles.

Resource and legal implications:

This report identifies the likely additional staff costs necessary as a result of the government changes of up to £105,000pa for which there is no budget. This cost would be fully or partially funded from a contribution from Surrey County Council and Surrey Police Authority towards the costs of the new local council tax reduction scheme. Details of funding will not be confirmed until decisions are made about Waverley's scheme in December. If there is a funding gap, officers will report back to Members as appropriate. More details are included in the report.

These changes will be introduced under the Local Government Finance Bill 2012. This Bill is still proceeding through the law-setting process. Draft regulations covering some of the changes have been published recently but the legislation is still not in place.

Background

1. The Government is implementing major changes to local government funding in 2013/14 including the creation of local council tax reduction schemes, to replace the national council tax benefit system (the Executive considered a

report on this at the meeting on 4th September), and the introduction of business rates retention. The Government are also making other changes to council tax including a range of council tax exemptions and discounts, including empty and second homes, and a requirement to offer 12 instalments as well as the current statutory 10.

2. Depending on the final decisions taken by the Council in December, these changes are likely to have major implications for the collection of council tax and business rates in the future. The new changes will transfer major income risks from central government to local authorities and it will be more important than ever for Waverley to protect its income base and maintain high collection rates.
3. The table below shows the key activities of Waverley's revenues team in a year.

	Council Tax	Business rates
Number of accounts	Approx 51,000	Approx 3,800
Income collected	Approx £85m	Approx £33m
Number of bills issued*	Approx 80,000	Approx 5,000
Number of reminders sent	18,000	2,000
Number of court summons	1,800	300
Number of bailiff actions	520	50
Collection rate – current year's bills collected in year	99%	98.2%

*Annual billing plus bills sent in year due to movers, benefit changes etc.

4. In addition to council tax and business rates, the recovery team process actions for sundry debtors who fail to pay following the issue of a final notice. In a year, approximately 200 sundry debt accounts are referred to the recovery team for pursuing. The majority of unpaid accounts relate to housing benefit overpayments that have arisen due to a late or non-declaration of a change in circumstances such as increased income or capital. Other accounts include former tenant arrears, property rents and various fees and charges.

Impact of Changes – Business Rates Retention Scheme

5. Currently, Waverley acts as an agent of the Government for the billing and collection of business rates. The Council pays all of the business rates collected to the Government. The Government takes the full risk of any reductions in the business rate base and of any non-payment of debts. Currently the Government pay an admin grant to councils to cover the costs of the staff, systems and running costs of administering business rates.
6. When the Government's new business rates retention scheme is introduced on 1st April 2013 Waverley will take a share of the risks which equate to 40% of any reductions or losses. For example, if Waverley experienced a £1m reduction in business rates collected (or 3% of the total), Waverley's council taxpayers would have to foot the bill for £400,000. Conversely, Waverley would be able to keep a proportion of any business rate growth in future but this is estimated to be around 7% of the total growth amount. It is assumed that the admin grant will continue but this is unclear.

7. Under the retention scheme, there is a much greater incentive for Waverley to maintain/grow its business rate base and maximise recovery. The current rate of collection is 98.2%. This means that over £0.5m of each year's bills remains uncollected at the end of the year, some of which will be collected over time but some will be written off. Additional recovery resources would enable additional inspections to ensure that all business premises in the Borough are being sent bills and it would help increase the collection rate beyond 99%.

Impact of Changes – Local Council Tax Reduction Scheme and Universal Credit

8. The current national council tax benefit scheme is being replaced from 1 April 2013 by locally determined schemes set by each local authority. Currently, Waverley administers council tax benefit under a nationally set government scheme and the Government reimburses the costs of the benefit and pays a grant for admin costs.
9. Under the new local reduction scheme rules, from next year the Government will provide a fixed grant which is at least 10% less than the current council tax benefit cost. Councils will take the full risk and cost of increasing caseloads in future. This makes it even more important to do all we can to detect and prevent fraud occurring. One way to do this is to routinely investigate a higher volume of claims to ensure that all changes of the claimant's circumstances, i.e. higher pay or savings, have been correctly notified and processed.
10. Members are currently considering a draft local council tax reduction scheme to consult on and a separate report is on this agenda. The new scheme could increase the council tax bills for between 1,500 and 3,000 households due to the reductions required to reduce the budgetary impact of the Government grant cut. A large number of these households could be required to pay council tax for the first time having previously had 100% benefit.
11. The revenues recovery team currently has to take action in around 10% (5,000) of accounts each year due to late or non-payment. This action is the main reason why Waverley maintains high collection rates at 99%. However, the new local reduction scheme will present new challenges in terms of an increased caseload and more difficult cases as all of the claimants affected by the new scheme will be working age people on low or no income. If only 50-70% of this additional liability is recovered in the year, this could lose £300,000 of council tax or 0.5% reduction in the overall collection rate. Some authorities are modelling a lower collection rate than 50%.
12. Additionally in 2013, the Government is introducing the Universal Credit which will replace housing benefit and a range of other benefits. At any time, Waverley will be pursuing a large number of housing benefit (HB) 'overpayment' debts. These generally arise when a claimant has a change in income/employment or a change in other Government benefits which reduces their entitlement to HB and there is a delay in Waverley being notified. Overpayments can also arise from a fraudulent deliberate withholding of

information. If the debtor is still in receipt of HB, we can deduct the overpayment from ongoing benefit. However, we have a large number of debts where the debtor is no longer on HB and many of these have moved out of the area. In these cases, the recovery team have to pursue these debts on a case-by-case basis.

13. With the introduction of Universal Credit, the ability to recover overpayments from ongoing housing benefit will end. Whilst the Government has not made the position clear yet, it is likely that these accounts would have to be pursued by the recovery team in future. We currently have around 1,000 housing benefit accounts where deductions from ongoing benefit are being made for overpayments.

Impact of Changes – Other changes to council tax

14. The Government are giving local authorities more flexibility to decide the levels of certain council tax discounts and exemptions from 1st April 2013. These are mainly in the areas of empty homes and second homes. Detailed reports will be considered by Members in the autumn. Waverley is likely to need to make changes which reduce the current statutory exemptions and discounts in these areas in order to mitigate the costs of the council tax benefit funding cut and/or as a general budget setting measure.
15. If such changes are made, there is a strong incentive to increase the inspection activity in the Borough to ensure that all properties are accurately included on Waverley's council tax records and are receiving a bill. In particular, ensuring that all new homes are registered for council tax promptly and all empty homes are charged according to the Council's approved scheme.

Proposed Changes to Revenues Team

16. The revenues team currently comprises a revenues manager, two revenues officers, two recovery assistants, five revenues assistants and one property inspector. Waverley also employs two fraud officers who cover a caseload of nearly 7,000 housing and council tax benefit claimants. It is proposed that the following additional resources are required to meet the demands of the changes described in this report

	Estimated Cost Incl. on-cost
Convert two recovery assistant to recovery officers	20,000
Add new post of recovery assistant	30,000
Add new post of fraud/inspection officer	45,000
Mileage allowances and running costs	10,000
Total	£105,000

17. The approach would be to consider using more targeted recovery methods including evening phone calls and home visits. Also, increased coverage for inspections and closer working with the Valuation office on domestic and business premises.

Conclusion

18. This report sets out the justification for strengthening the revenues team resources in response to a range of government changes in 2013/14. These resources will help protect Waverley's revenue base, maximise income and further reduce fraud and error. This impact of this decision has significant financial advantages for all the other precepting organisations for which Waverley collects council tax and funding is currently being sought towards the additional costs necessary.
19. Due to the Government's legislative timetable, there is still some uncertainty about the impact of some of the proposals and indeed about how Waverley will decide to set its policy. However, it is a very competitive job market in this area and many other authorities could be recruiting at the same time, therefore it is crucial that Waverley is fully prepared with the appropriate approvals in place to enable the necessary recruitments to take place as soon as possible. The proposal is to make an early appointment of an additional fraud/inspection officer to start making an impact ahead of the start of the next financial year. This will also benefit Surrey County Council and Surrey Police.

Recommendation

It is recommended that the Executive

1. recommends to Council, in advance of final decisions being taken on the council tax reductions scheme in December, to approve the resource measures proposed in paragraph 16, with the additional costs to be funded from contributions from major precepting bodies;
2. recommends to Council the following changes to the staff establishment:
 - a) to convert the two recovery assistant posts to recovery officer posts and establish a new post of recovery assistant, both subject to confirmation of funding from Surrey County Council and Surrey Police Authority; and
 - b) to establish a new post of fraud/inspection officer;

and agree to:

3. note the potential impact of the imminent government changes;
4. the immediate appointment of the fraud/inspection officer post to be funded from a supplementary estimate of £15,000 in 2012/13 in the first instance pending confirmation of the external funding with the full year cost being included in the 2013/14 budget; and

5. delegate the detailed decisions around timing and terms of appointment of the other additional staffing resources to the Deputy Chief Executive in conjunction with the Finance Portfolio Holder.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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