

DEBT RECOVERY 2021-22

Summary: This is an annual report detailing the council's collection performance and debt management arrangements for 2021/22
The report includes a:

- A summary of debts written off in each debt area showing the reasons for write-off and values.
- Collection performance for Council Tax and Non- Domestic Rates.
- Level of arrears outstanding
- Level of provision for bad and doubtful debts

Recommendations: 1. **To approve the annual report giving details of the Council's write-offs in accordance with the Council's Debt Write-Off Policy and performance in relation to revenues collection.**

Cabinet member(s): Eric Seaward

Wards: All

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1. 1. Introduction

1.1. The Corporate Debt Management annual report is one of the performance management measures to provide members with outturn figures for 2020/21 for the following:

- A summary of debts written off in each debt area showing the reasons for write off and values.
- Collection performance for Council Tax and Non - Domestic Rates (NNDR).
- Level of arrears outstanding
- Level of provision for bad and doubtful debts

2. Background

2.1. Writing off bad debts is a necessary function of any organisation collecting money. The Council is committed to ensuring that debt write offs are kept to a minimum by taking all reasonable steps to collect monies due. There will be situations where the debt recovery process fails to recover some or all of the debt and will need to be considered for write off. The Council views such cases very much as exceptions and this report identify those debts.

3. Performance

3.1. Below are a summary of the Council's three main income streams and the level of debt associated with each, for the last four financial years.

Table 1

Income Area	Year/Date	Total Arrears at 31 st March All Years (after write offs)* (£)	Current Years Arrears Included (after write – offs)** (£)	% of Current Arrears v Net Debit	Provision for Bad/Doubtful Debt for all years (£)
Council Tax	2018/19	2,297,629*	997,954**	1.40%	778,470
	2019/20	2,599,769	1,192,173	1.60%	863,985
	2020/21	3,451,400	1,610,836	2.10%	1,155,777
	2021/22	3,654,527	1,548,794	1.90%	1,272,071

Table 2

Income Area	Year/Date	Total Arrears at 31 st March All Years (after write offs)* (£)	Current Years Arrears Included (after write – offs)** (£)	% of Current Arrears v Net Debit	Provision for Bad/Doubtful Debt for all years (£)
NNDR	2018/19	323,870	192,064	0.71%	195,124
	2019/20	1,655,968	724,063	2.60%	958,258
	2020/21	410,374*	179,520**	1.40%	243,423
	2021/22	393,786	106,462	0.56%	254,611

3.2. *This is the cumulative arrears (excludes costs) for all years including 2021/22.

3.3. ** This is the arrears figure as at 31/3/2022. Collection of the 2021/22 debt is ongoing and £408k council tax and £199k NNDR has been collected since 17 August 2022 against the previous 2021/22 year's arrears.

3.4. The table below shows the level of sundry debt outstanding at the year-end. For 2021/22, this will exclude the residue of Housing Benefit Overpayments, which is shown separately.

Table 3

Income Area	Year	Total Arrears at 31 st March All Years (after write offs) (£)	Net Debit Raised End of Year (£)	% outstanding against debit at year end (£)	Provision for Bad/Debt for all years (£)
Sundry Income	2018/19	1,330,004	5,579,524	23.84%	762,096
	2019/20	610,999	22,839,235	2.68%	78,407
	2020/21	1,111,194	5,585,812	19.89%	210,170

	2021/22	643,957	7,085,105	9.09%	189,373
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3.5. The above figures for 2018/19 previously included overpayments being recovered through weekly reclaim against ongoing Housing Benefit. The value of overpayments from 2019/20 onwards are not treated as a corporate debt as they have not been invoiced. The value of these debts are recorded against the subsidy claim.

3.6 The table below shows the breakdown of 2021/22 residual housing benefit overpayments in finance and the level of housing benefit overpayments in Benefits outstanding at the year-end.

Table 4

Income Area	Year	Total Arrears at 31st March All Years (after write offs) (£)	Net Debit Raised End of Year (£)	% outstanding against debit at year end (£)	Provision for Bad/Debt for all years (£)
Sundry Income Residual Housing Benefit Overpayments (in Finance)	2020/21	75,581	0.00	100	72,926
	2021/22	67,028	0.00	100	64,810
Housing Benefit Overpayments (put to invoice in the Benefits Service)	2020/21	769,139	147,641	88.06%	549,075
	2021/22	670,571	135,492	74.21%	711,593

3.7. During 2021/22, as part of the ongoing recovery from the pandemic, we continued to offer a payment break or a payment plan for those who were suffering financial hardship.

During the pandemic we saw a significant shift from the number of people claiming Housing Benefit moving across to claim their Housing Costs through Universal Credit instead. This has made recovery of Housing Benefit more difficult and time consuming as we are not allowed to recover directly from Universal Credit.

Table 5

Income Area	Year/Date	Net Collectable Debit (£)	Number of Accounts	Average Amount per Account (after adjustments) (£)	Total of all Years Arrears (£)
Council Tax	2018/19	71,201,165	54,938	1,296	2,297,629
	2019/20	74,697,433	55,169	1,354	2,599,769
	2020/21	77,133,527	55,463	1,391	3,451,400
	2021/22	81,511,373	55,825	1,460	3,654,527
NNDR	2018/19	27,210,079	7,334	3,710	323,870
	2019/20	27,870,878	7,652	3,642	1,655,968
	2020/21	12,809,134	7,879	1,626	410,374
	2021/22	19,105,144	8,158	2,342	393,786

Sundry Income	2018/19	5,579,524	6,093	1,870	1,329,966
	2019/20	5,585,812	5,364	1,041	1,111,194
	2020/20	5,585,812	5,364	1,041	1,111,194
	2021/22	7,085,105	5,637	1,257	657,258

3.8. The above figures for 2018/19 previously included Housing Benefit Overpayments being recovered through weekly reclaim against the ongoing Housing Benefit. The value of overpayments from 2019/20 onwards does not treat these as a corporate debt as they have not been invoiced. The value of these debts are recorded against the subsidy claim.

3.9. The Provision for Bad/Debt for Sundry Income for all years is £776,403 which includes (£64,810 + £711,593 see table 4) for housing benefit overpayments. £670,571 is the level of housing benefit overpayments in the Benefit Service and £53,727 is the residual housing benefit overpayments in the Finance.

3.10 The table below shows the breakdown of 2021/22 residual housing benefit overpayments in finance and the level of housing benefit overpayments in Benefits outstanding at the year-end.

Table 6

Income Area	Year/Date	Net Collectable Debit (£)	Number of Accounts	Average Amount per Account (after adjustments) (£)	Total of all Years Arrears (£)
Sundry Income (residual Housing Benefit overpayments in finance).	2020/21	58,486	12	4,874	58,486
	2021/22	53,727	12	4,477	53,727
Housing Benefit overpayments put to invoice in the Benefits Service.	2020/21	873,380	538	1,623	769,139
	2021/22	768,149	483	1,590	670,571

Table 7

Income Area	2017/18	2018/19	2019/20	2020/21	2021/22	Target 2021/21
Council Tax	98.74%	98.72%	98.51%	98.01%	98.1	98.2%
NNDR	99.40	99.15%	97.32%	98.41%	99.24	98.7%

3.11. There have been a number of changes over the past few years that have affected council tax charges. From April 2013, support for council tax was localised. The Government reduced the level of funding that it had previously provided to cover the cost of the support (council tax benefit). All those of working age who had previously been on 100% benefit had to pay a minimum of 8.5%. In addition some people on benefits were also affected by other welfare reform changes – e.g. under occupation of properties in the social sector, the benefit cap and Universal Credit, putting additional pressure on incomes. In addition to the welfare, changes there were a number of technical changes to council tax. These included an increase in the charge for empty properties with additional premiums for those empty for more than two, five and ten years, a reduction in the second homes discounts and those properties undergoing structural repair and alteration. These changes affected the level of council tax to be collected and the ability of some residents to pay. The target for council tax collection continues to be challenging given the above.

3.12 There are no longer national indicators for the collection of Council Tax and Non-Domestic (Business) Rates. The performance indicator (PI) is retained as a local PI, and continues to be monitored monthly. An important part of debt management is to ensure that bills are sent out accurately and timely and that council tax and business ratepayers are aware of any appropriate discounts, exemptions, reliefs and benefit entitlement they may apply. Information is sent with the annual bills and is shown on our web site with service information being provided on these. The ongoing promotion of Direct Debit also forms an important part of debt management where 75% of council taxpayers are paying by direct debit and 29% of NNDR customers pay by direct debit.

3.13 The Government has made the Small Business Rate Relief (SBRR) scheme more generous from 1 April 2017. Small businesses with a Rateable Value below £12,001 are now entitled to receive 100% relief (increase funded by Government). Small businesses with a Rateable Value between £12,000 and £15,001 may now be entitled to receive a percentage reduction in their rates bill. There has been a number of new relief schemes to help small businesses with Non-Domestic Rates over the past few years.

3.14 The Government's NDR Retail Discount Scheme was implemented from 2019/20 to award retail businesses with a third off their net rates bill. This was increased to 50% from 2020/21 and then changed to the 100% NDR Expanded Discount Scheme. A Nursery Discount Scheme for 100% was also implemented alongside the Business Grant Schemes.

3.15 The temporary NDR Growth person that we employed to identify growth and increase revenue to NNDC was offered a permanent position in another service so this position no longer exists.

3.16 Since March 2020 because of the pandemic and the effect of this on customers' ability to pay, we took the unprecedented step to stop all council tax and Non-Domestic Rates recovery work. Customers were given the opportunity to defer or delay paying us whilst they sort out their personal and business finances. We started sending out soft reminders from August 2020 with court attendances starting again later in the same year. This has impacted on the collection performance.

3.17 Non-Domestic Rates had the introduction of the Covid Additional Relief Fund (CARF) for 2021/22.

3.18 The 100% NDR Retail Discount was reduced from 1 July 2022 to 66% and then from 1 April 2022 to 50%.

4. Write-Offs

4.1. The table below shows in summary the amounts of debts that have been written off over the last four years. Since 2019/20 Sundry Income is now illustrated separately to the residual Housing Benefit overpayments.

Table 8

Income Area	2018/19 (£)	2019/20 (£)	2020/21 (£)	2021/22 (£)
Council Tax	141,522	165,133	65,638	133,790
NNDR	135,839	45,671	94,863	3,957
Sundry Income (includes residual Housing Benefit write-offs)	11,380			
Housing Benefit	37,070			
Sundry Income only		9,248	9,962	12,595
Sundry Income (residual Housing Benefit overpayments in finance).		12,497	1,382	2,536
Housing Benefit overpayments put to invoice in the Benefits Service.		20,556	40,391	61,398

4.2. The table below details the category of debts that have been written off over the year 2021/22 (includes costs) for all years.

Table 9

Category	Council Tax(£)	NNDR(£)	Sundry Income(£)	Sundry Income (£) (residual Housing Benefit overpayments in finance)	Housing Benefit overpayments put to invoice in the Benefits Service (£)
Unable to collect Uneconomic/ bailiff unable to collect	-131	21	4,288	-33	644
Debtor deceased	8,787		132		28,537
Debtor absconded	34,775	298	596		2,928
Debtor in bankruptcy Or liquidation or other Insolvency proceedings	83,068	2,522	1,145		19,258
Debt cannot be proved (conflict of evidence)	2,311	1,116			0.00
Ill health & no means	1,200		210		0.00
Undue hardship	5				7,001
Debt remitted by the Court					0.00
Irrecoverable	1,966		3,674	2,694	0.00
Detained/Prison					3,030
Other	1,809		-23	-123	0.00
Totals	133,790	3,957	10,022	2,536	61,398

4.3 The level of Housing Benefit overpayment debt written-off increased in 2021/22 due to an exercise carried out against older outstanding cases which had exhausted all debt collection recovery options. We have started to make enquiries into the use of High Court Enforcement to help recover debt against cases where no engagement has been made by the customer and other recovery channels have been exhausted.

4.4 The level of Non-Domestic (Business) Rates debts written off has reduced since last year. The Council Tax and Non-Domestic (Business) Rates debts that have been written off are principally debts from insolvency and people absconding. Whilst every effort is made to trace debtors there is a number of debtors that cannot be traced and the debt has to be written off.

5. Implications and Risks

5.1. The information gained from this report will help improve monitoring and our ability to consider the risks in a more accurate way.

6. Financial Implications and Risks

6.1. The Council is already required to make provision for bad and doubtful debts. The additional information gained from this report will help improve monitoring and our ability to consider the appropriateness of the provisions in a more accurate way.

7. Sustainability

7.1 This report does not raise any issues relating to Sustainability.

8. Equality & Diversity

8.1 The Debt Management & Recovery Policy takes account of the impact that getting into debt can have on people and their families, so it also encourages people to pay, and aims to provide reasonable facilities and assistance for them to do so.

8.2. Before writing off debt, the Council will satisfy itself that all reasonable steps have been taken into account to collect it and that no further recovery action is possible or practicable. It will take into account the age, size and types of debt, together with any other factors that it feels are relevant to the individual case. All write-offs are dealt with in the same fair and consistent way in line with equality and diversity issues.

8.3 While you can be sent to prison for up to 3 months if the court decides you don't have a good reason to not pay your Council Tax and you refuse to do so it is not our Council's policy to take such action where there is an inability to pay and there is a range of support which the Council offers in order to avoid this.

9. Section 17 Crime and Disorder considerations

9.1 This report does not raise any issues relating to Crime and Disorder considerations.