

DEBT RECOVERY 2022-23	
Executive Summary	<p>This is an annual report detailing the council's collection performance and debt management arrangements for 2022/23</p> <p>The report includes a:</p> <ul style="list-style-type: none"> ▪ 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
Options considered	To leave the write off limits as they currently are allowing team leaders to write off up to £2k and the Revenues Manger up to £10k or to increase these to a higher figure.
Consultation(s)	Your report must include details of any internal or external consultation processes undertaken. If consultation has not been necessary – state, why
Recommendations	<p>This is a recommendation to Full Council.</p> <ol style="list-style-type: none"> 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. 2. To approve the suggested changes to the delegated authority as shown in appendix 2 for write offs.
Reasons for recommendations	Recommendations 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 and the suggested delegated authorisation changes to ensure the Council seeks best use of its staff resources and manages the finances to ensure best value for money.
Background papers	Corporate Debt Management and Recovery Policy Appendix 1, Debt Write Off Policy Appendix 2 and Enforcement Agent Code of Practice and Enforcement Agent Instructions Appendix 3.

Wards affected	All wards
Cabinet member(s)	Lucy Shires
Contact Officer	Sean Knight Revenues Manger Sean.Knight@north-norfolk.gov.uk

Links to key documents:	
Corporate Plan:	List here which corporate plan priorities (if any) that your proposals are linked to

Medium Term Financial Strategy (MTFS)	Maximises Income of revenues.
Council Policies & Strategies	Corporate Debt Management and Recovery Policy and Debt Write Off Policy

Corporate Governance:	
Is this a key decision	Yes.
Has the public interest test been applied	Yes.
Details of any previous decision(s) on this matter	September 2022, 2021/22, Debt Report.

1. Purpose of the report

This is an annual report detailing the council's collection performance and debt management arrangements for 2022/23.

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

2. Introduction & Background

Introduction

The Corporate Debt Management annual report is one of the performance managements measures to provide members with outturn figures for 2021/22 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

Background

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 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. Proposals and Options

Performance

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 on 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	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
	2022/23	4,115,165	1,546,928	1.68%	1,439,591

Table 2

Income Area	Year/Date	Total Arrears on 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 (£)
NDR	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
	2022/23	329,183	201,357	0.82%	211,375

*This is the cumulative arrears (excludes costs) for all years.

** This is the arrears figure as at 31/3/2023. Collection of the 2022/23 debt is ongoing and £437k council tax and £156k NDR has been collected since 7 August 2023 against the previous 2022/23 year's arrears.

The table below shows the level of sundry debt outstanding at the year-end. For 2022/23, this will exclude the residue of Housing Benefit Overpayments, which is shown separately.

Table 3

Income Area	Year	Total Arrears on 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	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
	2022/23	1,059,575	7,470,570	14.20%	254,248

Figures previously included overpayments being recovered through weekly reclaim against ongoing Housing Benefit. The value of overpayments shown above from 2019/20 onwards are not treated as a corporate debt as they have not been invoiced. The value of these debts is recorded against the subsidy claim.

The table below shows the breakdown of 2022/23 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 on 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
	2022/23	43,295	0.00	100%	19,115
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
	2022/23	658,130	256,716	70.87%	395,822

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	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
	2022/23	91,952,456	55,804	1,648	4,037,735
NDR	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
	2022/23	24,700,970	8,327	2,966	329,183
Sundry Income	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
	2022/23	7,470,570	5,733	1,303	1,059,575

The above figures 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 is recorded against the subsidy claim.

The Provision for Bad/Debt for Sundry Income for all years is £414,937 which includes (£19,115 + £395,822 see table 4) for housing benefit overpayments. £658,130 is the level of housing benefit overpayments in the Benefit Service and £43,295 is the residual housing benefit overpayments in the Finance.

The table below shows the breakdown of 2022/23 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
	2022/23	43,295	11	3,936	43,295
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
	2022/23	674,481	352	1,916	658,130

Table 7

Income Area	2018/19	2019/20	2020/21	2021/22	2022/23	Target 2022/23
Council Tax	98.72%	98.51%	98.01%	98.1	98.27	98.20%
NNDR	99.15%	97.32%	98.41%	99.24	99.25	99.20%

There have been several 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 several 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.

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 77% of council taxpayers are paying by direct debit and 29% of NNDR customers pay by direct debit.

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 have been several new relief schemes to help small businesses with Non-Domestic Rates over the past few years.

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.

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.

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

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

3.1 Write-Offs

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 illustrated separately to the residual Housing Benefit overpayments.

Table 8

Income Area	2019/20 (£)	2020/21 (£)	2021/22 (£)	2022/23 (£)

Council Tax	165,133	65,638	133,790	159,938.92
NNDR	45,671	94,863	3,957	49,223.64
Sundry Income only	9,248	9,962	12,595	35,077
Sundry Income (residual Housing Benefit overpayments in finance).	12,497	1,382	2,536	0
Housing Benefit overpayments put to invoice in the Benefits Service.	20,556	40,391	61,398	10,501.67

The table below details the category of debts that have been written off over the year 2022/23 (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	-47	-8	Waiting for information from Finance.	Waiting for information from Finance.	2,658.79
Debtor deceased	11,269	0	As above.	As above.	3,334.94
Debtor absconded	94,548	10,278	As above.	As above.	2,893.68
Debtor in bankruptcy Or liquidation or other Insolvency proceedings	42,980	38,743	As above.	As above.	181.88
Disputed Liability Debt cannot be proved (conflict of evidence)	3,748	210	As above.	As above.	0.00
Ill health & no	3,860	0	As above.	As above.	1,349.23

means					
Undue hardship	52	0	As above.	As above.	83.15
Debt remitted by the Court	0	0	As above.	As above.	0.00
Irrecoverable	2,743	0	As above.	As above.	0.00
Detained/Prison	-246	0	As above.	As above.	0.00
Other	1,031	0	As above.	As above.	0.00
Totals	159,938	49,223	As above.	As above.	10,501.67

The level of Council Tax and Non-Domestic (Business) Rates debts written off has increased 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 several debtors that cannot be traced, and the debt must be written off.

4. Corporate Priorities

This report is linked to the Corporate Plan under A Strong, Responsible and Accountable Council.

We will ensure the Council maintains a financially sound position, seeking to make best use of its staff resources, effective partnership working and maximising the opportunities of external funding and income.

We aim to provide effective and efficient delivery of the Revenues Service. Managing our finances to ensure best value for money, continuing a service improvement programme to ensure our services are delivered efficiently, providing services that are value for money and meet the needs of our residents , ensuring that strong governance is at the heart of all we do, creating a culture that empowers and fosters an ambitious, motivated workforce and exploring opportunities to work further with stakeholders and partner organisations.

5. Financial and Resource Implications

There are no resource implications here.

Comments from the S151 Officer:

The S151 Officer (or member of the Finance team on their behalf) will complete this section.

6. Legal Implications

There are no legal implications here.

Comments from the Monitoring Officer

The Monitoring Officer (or member of the Legal team on behalf of the MO) will complete this section. They will outline any legal advice provided.

7. Risks

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.

8. Net Zero Target

This report does not raise any issues relating to the Net Zero target.

9. Equality, Diversity & Inclusion

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.

Before writing off debt, the Council will satisfy itself that all reasonable steps have been considered to collect it and that no further recovery action is possible or practicable. It will consider 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.

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.

10. Community Safety issues

This report does not raise any issues relating to the community safety issues.

11. Conclusion and Recommendations

This is an annual report detailing the council's collection performance and debt management arrangements for 2022/23

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

This is a recommendation to Full Council.

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.

To approve the suggested changes to the delegated authority as shown in appendix 2 for write offs.