

Agenda Item

Debt Recovery 2018-19

Summary: This is an annual report detailing the council's collection performance and debt management arrangements for 2018/19
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.
- 2) To approve the updated Debt Write Off Policy (shown in Appendix 2)
- 3) To approve the updated Benefit Overpayment Policy and the use of High Court Enforcement Agents if considered necessary (shown in Appendix 4)

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All All
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1 Introduction

- 1.1. The Corporate Debt Management annual report is one of the performance management measures to provide members with outturn figures for 2018/19 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	2015/16	2,069,261	836,404	1.42%	762,413
	2016/17	1,998,329*	844,646**	1.36%	733,817
	2017/18	2,289,564	942,469	1.43%	755,756
	2018/19	2,297,629*	997,954**	1.40%	778,470

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	2015/16	343,855	153,179	0.62%	200,746
	2016/17	331,206*	134,548	0.52%	189,593
	2017/18	387,822	129,877**	0.51%	228,797
	2018/19	323,870*	192,064**	0.71%	195,124

3.2. *This is the cumulative arrears (excludes costs) for all years including 2018/19.

3.3. ** This is the arrears figure as at 31/3/2019. Collection of the 2018/19 debt is ongoing and £194,938 council tax and £150,774 NNDR has been collected since 11 June 2019 against the previous 2018/19 year's arrears.

3.4. The table below shows the level of sundry debt outstanding at the year-end including the element of that debt which is attributable to housing benefit overpayments being collected by invoicing customers.

Table 2

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	2015/16	1,282,697	6,356,269	20.18%	609,130

(including Housing Benefit Overpayments).	2016/17	1,540,486	6,328,603	24.34%	710,210
	2017/18	1,710,721	6,918,600	24.72%	794,015
	2018/19	1,330,004	5,579,524	23.84%	762,096

3.5. The table below shows the breakdown of 2018/19 level of sundry debt including the residual housing benefit overpayments in finance and the level of housing benefit overpayments in revenues outstanding at the year end and being collected by invoicing customers.

Table 3

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 (including residual Housing Benefit Overpayments in Finance).	2018/19	*444,936	5,160,336	8.62%	129,930
Housing Benefit Overpayments in Revenues.	2018/19	**885,068	419,188	211%	632,166

3.6. *The above figure includes 21 invoices over £5,000 totaling £258,296.72 and 6 of these invoices total £69 550 are residue housing benefit overpayments.

3.7. ** The above figure includes 12 invoices over £10,000 totaling £171,726 and 23 invoices over £5,000 totaling £165,379. There are invoices being repaid by Attachment to Benefit, Direct Earnings Attachment, Enforcement Agent or being collected through the County Court.

3.8. The Provision for Bad/Debt for Sundry Income for all years is £762,096 which includes £732,409 for housing benefit overpayments. £632,166 is the level of housing benefit overpayments in revenues and £100,243 residual housing benefit overpayments in finance.

Table 4

Income Area	Year/Date	Net Collectable Debit (£)	Number of Accounts (£)	Average Amount per Account (after adjustments) (£)	Total of all Years Arrears (£)
Council Tax	2015/16	59,066,218	53,737	1,099	2,069,261
	2016/17	61,902,431	54,172	1,143	1,998,329
	2017/18	65,861,821	54,530	1,208	2,289,564
	2018/19	71,201,165	54,938	1,296	2,297,629
NNDR	2015/16	24,854,602	6,631	3,748	342,572
	2016/7	26,115,380	6,865	3,804	331,206
	2017/18	25,544,969	7,174	3,561	387,822
	2018/19	27,210,079	7,334	3,710	323,870

Sundry Income	2015/16	6356,268	5,723	1,111	1,282,285
	2016/17	6,328,732	5,833	1,085	1,540,486
	2017/18	6,918,600	5,433	1,273	1,710,721
	2018/19	5,579,524	6,093	1,870	1,329,966

Table 5

Income Area	2015/16	2016/17	2017/18	2018/19	Target 2018/19
Council Tax	98.6%	98.7%	98.74%	98.72%	98.4%
NNDR	99.3%	99.36%	99.40	99.15%	99.1%

3.9. There have been a number of changes over the past few years that have impacted on 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, a reduction in the second homes discounts and those properties undergoing structural repair and alteration. These changes impacted on 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.

3.10 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 rate payers are aware of any appropriate discounts, exemptions, reliefs and benefit entitlement they may be entitled to. 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 74% of council tax payers are paying by direct debit and 37% of NNDR customers pay by direct debit.

3.11 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.

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.

Table 6

Income Area	2015/16 (£)	2016/17 (£)	2017/18 (£)	2018/19 (£)
Council Tax	179,556	123,931	116,965	141,522
NNDR	48,142	48,950	47,404	135,839
Sundry Income (includes residual Housing Benefit write-offs)	162,794	16,113	17,038	11,380
Housing Benefit	79,207	56,121	42,160	37,070

4.2. The table below details the category of debts that have been written off over the year 2018/19 (includes costs) for all years.

Table 7

Category	Council Tax(£)	NNDR(£)	Sundry Income(£)
Unable to collect Uneconomic/ bailiff unable to collect	84	9	7,194
Debtor deceased	18,841	0	10,652
Debtor absconded	36,635	2,010	5,945
Debtor in bankruptcy Or liquidation or other Insolvency proceedings	65,663	60,114	17,917
Debt cannot be proved (conflict of evidence)	13,627	1,990	-5
Ill health & no means	292	35,678	0
Undue hardship	1,165	4,841	104
Debt remitted by the Court	0	0	0
Irrecoverable	5,215	31,197	6,452
Detained/Prison	0	0	192
Other	0	0	0
Totals	141,522	135,839	48,450

4.3 The level of Council Tax debts, Non-Domestic (Business) Rates debts and Sundry Income invoices written off has reduced since last year. The debts that have been written off are principally debts from insolvency, debtor deceased 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 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.

9. Section 17 Crime and Disorder considerations

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