

Debt Recovery 2019-20

Summary: This is an annual report detailing the council's collection performance and debt management arrangements for 2019/20
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 agree the Debt Write Off Policy (shown in Appendix 2)
- 3) To agree the use of High Court Enforcement Agents if considered necessary (shown in Appendix 3)

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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 2019/20 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	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
	2019/20	2,599,769	1,192,173	1.60%	863,985

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	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
	2019/20	1,655,968*	724,063**	2.60%	958,258

3.2. *This is the cumulative arrears (excludes costs) for all years including 2019/20.

3.3. ** This is the arrears figure as at 31/3/2020. Collection of the 2019/20 debt is ongoing and £157k council tax and £506k NNDR has been collected since 15 July 2020 against the previous 2019/20 year's arrears.

3.4. The table below shows the level of sundry debt outstanding at the year-end. For 2019/20, this will exclude the residue of Housing Benefit Overpayments, which is shown separately.

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	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
	2019/20	TBC by Caz Williams.	TBC by Caz Williams.	TBC by Caz Williams.	TBC by Caz Williams.

3.5. The above figures previously included overpayments being recovered through weekly reclaim against ongoing Housing Benefit. The value of overpayments here 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 2019/20 residual housing benefit overpayments in finance and the level of housing benefit overpayments in Benefits outstanding at the year-end.

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 Residual Housing Benefit Overpayments (in Finance)	2019/20	83,297	N/A	N/A	TBC by Caz Williams.
Housing Benefit Overpayments (put to invoice in the Benefits Service)	2019/20	**873,268	320,942	272%	654,537

3.7. ** Housing Benefit overpayment recovery was transferred to the Benefits Service in August 2019. In January 2020, following a review of resources in the team, two full-time Housing Benefit Overpayment Officers were moved across from Housing Benefit processing to provide a solid resource for Housing Benefit debt recovery. Training for the two officers was due to take place in March 2020, but due to the pandemic, this has been postponed. This has affected the level of overpayments recovered. Seventy two percent (72%) of the debt outstanding is serviced through attachments, debt enforcement, County Court Judgements and payment plans.

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	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
	2019/20	74,697,433	55,169	1,354	2,599,769
NNDR	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
	2019/20	27,870,878	7,652	?	1,655,968
Sundry Income	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
	2019/20	TBC by Caz Williams	TBC by Caz Williams	TBC by Caz Williams	TBC by Caz Williams

3.8. The above figures for 2016/17 to 2018/19 previously included Housing Benefit Overpayments being recovered through weekly reclaim against the ongoing Housing Benefit. The value of overpayments here are not treated as a corporate debt as they have not been invoiced. The value of these debts are recorded against the subsidy claim.

3.9. The table below shows the breakdown of 2019/20 residual housing benefit overpayments in finance and the level of housing benefit overpayments in Benefits outstanding at the year-end.

Table 5

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).	2019/20	83,297	17	4,900	83,297
Housing Benefit overpayments put to invoice in the Benefits Service.	2019/20	873,268	647	1,350	873,268

Table 6

Income Area	2015/16	2016/17	2017/18	2018/19	2019/20	Target 2019/20
Council Tax	98.6%	98.7%	98.74%	98.72%	98.51%	98.4%
NNDR	99.3%	99.36%	99.40	99.15%	97.32%	99.1%

3.10. 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, 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.

3.11 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 74% of council taxpayers are paying by direct debit and 30% of NNDR customers pay by direct debit.

3.12 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.

3.13 The Government's NDR Retail Discount Scheme was implemented from 2019/20 to award retail businesses with a third off their net rates bill.

3.14 The temporary NDR Growth position that we employed to identify growth and help to increase revenue to NNDC has been a real success. In 2019/20 one property that was identified and reported to the Valuation Office Agency alone because it had previously expanded its business without our knowledge had a backdated rates bill of over £1.1m. This revaluation was proactively chased by us and confirmed in March 2020 so NNDC and Norfolk County Council could gain more retention rather than 50% being passed to central government because it was actioned before 31 March 2020 as part of the Business Rates 2019/20 Pilot. NNDC received 55.5% (40%+12.5%) which equated to £577k and the Norfolk County Council's share was 22.5% (10%+12.5%) which equated to £247k. This increased the NDR debit by £439k in March 2020 to be collected by 31 March 2020 and has also adversely affected our NDR collection figures for 2019/20.

3.15 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 have been given the opportunity to defer or delay their payments to us whilst they sort out their personal finances. This has impacted on the collection performance for 2019/20 as well as 2020/21.

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 7

Income Area	2016/17 (£)	2017/18 (£)	2018/19 (£)	2019/20 (£)
Council Tax	123,931	116,965	141,522	165,133

NNDR	48,950	47,404	135,839	45,671
Sundry Income (includes residual Housing Benefit write-offs)	16,113	17,038	11,380	?
Housing Benefit	56,121	42,160	37,070	?

4.2. The table below details the category of debts that have been written off over the year 2019/20 (includes costs) for all years.

Table 8

Category	Council Tax(£)	NNDR(£)	Sundry Income(£)
Unable to collect Uneconomic/ bailiff unable to collect	-54	13	
Debtor deceased	3,801	1,380	
Debtor absconded	68,884	5,036	
Debtor in bankruptcy Or liquidation or other Insolvency proceedings	66,327	37,041	
Debt cannot be proved (conflict of evidence)	454	2,076	
Ill health & no means	1,016	0	
Undue hardship	3,437	0	
Debt remitted by the Court	0	0	
Irrecoverable	18,549	125	
Detained/Prison	718	0	
Other	2,001	0	
Totals	165,133	45,671	

4.3 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.