

URN: 22-029

Subject: Annual Debt Recovery Report 2021/22

Report to: Executive Leadership Team – 22 June 2022

Policy and Resources Committee – 12 July 2022

Report by: Stuart Brabben, Revenue & Benefits Service Manager

SUBJECT MATTER

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

That Committee :

(1) note and approve the annual report giving details of the Council's write-offs in accordance with the Council's Recovery Guidelines and performance in relation to revenues collection

1. INTRODUCTION

1.1 The Annual Debt Recovery Report is one of the performance management 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

1.2 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 identifies those debts.

2. PERFORMANCE

Summary of collection rates and reductions in arrears

2.1 Business Rates

2.1.1 This year has seen a significant improvement in the in-year collection rates and a reduction in overall arrears. This follows the previous year's decision to limit recovery action due to the impact of the COVID 19 pandemic, which in turn limited in year collection and increased arrears.

2.1.2 Whilst normal recovery action was carried out during 2021/22 the following was also put in place to continue to help businesses as they recover from the last two years of the pandemic;

- Working with businesses to be able to offer very flexible payment arrangements. This will continue in 2022/23 in order to help them get back up to date and reduce arrears
- Business Rates payers with businesses in the Retail, Hospitality and Leisure sectors were awarded a 100% Business Rates Discount to 30 June 2021 via funding from central government. From 1 July the discount changed to a 66% discount. For 2022/23 this is a 50% discount for the whole year
- During 2021/22, using funding from central government, a COVID Additional Relief (CARF) scheme was implemented under business rates discretionary rate relief regulations. This relief scheme has awarded £1.6m of relief to other business sectors outside the Retail Hospitality and Leisure sector
- Through our website pages and communications businesses were also signposted to other help available to them, such as the business grants
- Also, during 2021/22 a significant resource of the Business Rates Team was used for the administration of the various governments COVID Business Grants that were available during the year

2.2 Sundry Debts

2.2.1 The overall arrears for Housing Benefit Overpayments continue to reduce and £110,610 more was collected than raised in 2021/22. The overall debt for Sundry Debt has decreased by £667,459 compared to last year. Of the total arrears £662,396 was only raised in February and March.

2.3 Council Tax

2.3.1 This year has seen a significant improvement in the in-year collection rates. There has only been a small increase in overall arrears, following the previous year's decision to

limit recovery action due to the COVID 19 pandemic, which limited in year collection and increased overall arrears. The stabilisation of the overall arrears total is an important position and in future years we should now see it begin to reduce. However, it is important to note that due to the scale of the arrears that were accrued during the limited recovery action of 2020/21, it is estimated that it will take 2-3 years before they get back to pre-pandemic levels, as we try to balance achievable payment arrangements, whilst ensuring that the current year is paid in full.

2.3.2 Whilst normal recovery action was carried out during 2021/22 the following was also put in place to continue to help people as they recover from the last two years of the pandemic:

- The balance of the Council Tax Hardship Scheme funding from central government that was introduced to help people in the first year of the COVID Pandemic was carried forward into 2021/22 . This was used to support and help Council Tax payers with payment arrangements where they had arrears and also to help with 2021/22 bills
- Promotion of other benefits (such as Universal Credit) that people might be entitled to, was communicated to those who received recovery notices, amended bills and benefit notifications
- We offered very flexible payment arrangements and will continue to do so in 2022/23 in order to help people get back up to date
- We worked closely with debt agencies such as DIAL and CA, as well as our Community Hub Team to holistically look at peoples debt position and to engage with hard to reach customers who are finding it difficult to pay
- We made changes to the Council Tax Support Scheme for 2021/22 which made claiming for Council Tax Support easier for Universal Credit claimants to do. When a customer makes a claim for universal credit they are asked if they also want to claim Council Tax Support. If the customer answers yes, we receive an electronic copy of their Universal Credit details. We then assessed their claim for Council Tax Support based on this information without the requirement for a separate application

2.4 Future Plans and initiatives

In year collection rates and reduction in arrears should continue to improve in 2022/23, however, this is dependent on the state of the economy and how much the current 'cost of living' situation affects people's ability to pay. However, we will continue to balance achievable payment arrangements whilst ensuring that the current year is paid in full and therefore to prevent overall arrears rising.

The main initiatives and improvements to be undertaken to maximise in year collection rates and reduce arrears in 2022/23 are as follows:

- Continue to develop the good work being carried out in working more closely with debt agencies such as DIAL and CA to engage with hard to reach customers who are finding it difficult to pay

- Utilise and maximise any government funding to help payers meet their obligations (including payment of the Council Tax Energy Rebate)
- To continue to use high level debt enforcement activity where appropriate
- To continue to promote Council Tax Support take up
- To continue to promote take up of other benefits (such as Universal Credit) that people might be entitled to
- To continue to offer very flexible payment arrangements in order to help people be able to meet their 2022/23 obligations and bring arrears back up to date where applicable
- Carry out a targeted Direct Debit Campaign in 2022/23

2.5 Appendix 1 shows a summary of the Council's three main income streams and the level of debt associated with each and write offs, for the last three financial years.

3 RECOMMENDATIONS

The Committee is asked to note and approve:

- (I) The annual debt 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.

Area for consideration	Comment
Monitoring Officer Consultation:	No
Section 151 Officer Consultation:	Performance, financial collection and write off of debt
Existing Council Policies:	Debt Recovery Guidelines
Financial Implications:	As outlined in the report and Bad Debt Provisions
Legal Implications (including human rights):	Local Government Finance Act 1992
Risk Implications:	No
Equality Issues/EQIA assessment:	No
Crime & Disorder:	No
Every Child Matters:	No

Appendix 1

1. Collection Rates and Arrears Position

Table 1 shows the level of Council Tax and Business Rates outstanding at the year end

Table 1

Income Area	Year/Date	Total Arrears at 31 st March All Years (after write offs)* (£)	Current Years Arrears (after write-offs) ** (£)	% of Current Arrears v Net Debit	Provision for Bad/Doubtful Debt for all years (£)
Council Tax	2019/20	5,397,019	2,352,338	4.5%	2,508,519
	2020/21	7, 113,464	2,864,585	5.3%	2,685,182
	2021/22	7,197,621	2,251,369	3.9%	3,316,850

Income Area	Year/Date	Total Arrears at 31 st March All Years (after write offs)* (£)	Current Years Arrears (after write –offs) ** (£)	% of Current Arrears v Net Debit	Provision for Bad/Doubtful Debt for all years (£)
Business Rates	2019/20	2,173,555	1,111,556	3.5%	630,556
	2020/21	2,799,910	1,418,567	9.6 %	659,594
	2021/22	1,875,095	447,307	2%	649,327

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

** This is the arrears figure for 2021/22 as at 31/3/2022.

Collection of the all arrears is ongoing and for 2021/22 a further £547,200 Council Tax has been collected between April and May against previous year's arrears giving a collection rate of 96.8%.

Collection of the all arrears is ongoing and for 2021/22 a further £51,000 Business Rates has been collected between April and May against previous year's arrears giving a collection rate of 98.2%.

Table 2 shows the level of sundry debt outstanding at the year end and 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 31st March All Years (after write offs) (£)	Net Debit Raised End of Year (£)	% of outstanding arrears against debit at year end (£)	Provision for Bad/Debt for all years (£)
Sundry Income	2019/20	* 3,071,503	9,735,031	31%	557,811
(includes HB Overpayments)	2020/21	** 5,065,327	13,707,742	37%	505,760
	2021/22	*** 4,397,868	14,199,389	31%	£418,399

* 2019/20 – Housing Benefit Overpayments value = £1,709,163

** 2020/21 – Housing Benefit Overpayments value = £1,600,928

*** 2021/22 – Housing Benefit Overpayments value = £1,513,279

The overall arrears for Housing Benefit Overpayments continue to reduce and £110,610 more was collected than raised in 2021/22.

The overall debt for Sundry Debt has decreased by £667,459. Of the total arrears £662,396 was only raised in February and March.

Table 3 shows the Aged Debt Analysis for Sundry Debt (Not including Housing Benefit Overpayments)

Table 3

Age of Debt	Amount £
0 to 90 days old	742,682
90 to 180 days old	699,480
181 to 365 days old	320,966
Over 1 year old	2,634,740

Table 4 shows the Aged Debt Analysis for Housing Benefit Overpayments

Table 4

Age of Debt	Amount £
0 to 90 days old	32,768
90 to 180 days old	18,075
181 to 365 days old	19,443
Over 1 year old	1,442,993

Table 5 shows the total value raised for each revenue area and the total value of arrears as at the end of each of the last three financial years

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	52,044,945	48,203	1,079	5,397,019
	2020/21	53,449,782	48,631	1,099	7,113,464
	2021/22	57,137,362	48,959	1,167	7,197,621
Business Rates	2019/20	31,638,496	5,253	6,022	2,173,555
	2020/21	* 14,641,927	5,327	2,748	2,799,910
	2021/22	*22,650,454	5,315	4,261	1,875,095
* The net collectible debit was reduced during 2020/21 and 2021/22 by the reliefs the government put in place to help businesses affected by lockdown. Local authorities were fully compensated for these reliefs by central government					
Sundry Income	2019/20	9,735,031	8,719	1,116	3,071,503
	2020/21	13,707,343	6,285	2,180	5,065,325
	2021/22	14,199,389	4,092	3,470	4,397,868

Table 6 shows the in-year collection rates for Council Tax and Business Rates over the last three financial years

Table 6

Income Area	2019/20	2020/21	2021/22	Target 2022/23
Council Tax	95.5%	94.6%	96%	96%
Business Rates	96.5%	90.3%	98%	97.5%

Table 7 shows the current overall collection rates for Council Tax and Business Rates since 2014, which shows that collection rates are actively being collected and recovery of debt is ongoing.

Whilst it is recognised that there is need to speed up the cash flow of these eventual collection rates to reduce the overall arrears, this demonstrates the ongoing collection and reduction of debt within the respective billing year.

Table 7

Year	Council Tax % (at 31 March 2022)	£ of debt outstanding	Business Rates % (at 31 March 2022)	£ of debt outstanding
2014/15	99%	118,545	99.3%	40,161
2015/16	98.9%	190,483	98.9%	46,808
2016/17	98.7%	283,633	98.8%	62,336
2017/18	98.4%	552,920	98.7%	144,238
2018/19	98.1%	859,562	98.7%	247,807
2019/20	97.6%	1,154,873	98.5%	421,478
2020/21	97%	1,617,839	97.4%	378,970

2. Write-Offs

Table 8 shows in summary the amounts of debts that have been written off over the last three years.

Table 8

Income Area	2019/20 (£)	2020/21 (£)	2021/22 (£)
Council Tax	454,339	81,218	284,816
Business Rates	2,229	246,837	86,288
Sundry Income (includes Housing Benefit write-offs)	89,825	6,623	153,414
Housing Benefit element of Sundry Income Write Offs shown above	73,171	1,425	62,566

Table 9 details the category of debts that have been written off over the year 2020/21 for all years.

Table 9

Category	Council Tax (£)	Business Rates (£)	Sundry Income (£)
Unable to collect Uneconomic/ bailiff unable to collect	123,902	4,504	54,158
Debtor deceased	25,199		28,633
Debtor absconded	15,797	18,841	6,023
Debtor in bankruptcy or liquidation or other Insolvency proceedings	124,512	63,014	73,177
Undue hardship	388		335
Write off write back	-4,982	-71	-8,912
Totals	284,816	86,288	153,414

Table 10 shows the breakdown of Sundry Debt written off (Excluding Housing Benefit Overpayments) into types of invoice.

Table 10

Debt type	£ as at 31st March 2022
General/Misc	18,250
Property	35,826
HRA	5,020
Yare Care	2,931
Housing & Neighbourhoods (Homeless)	15,927
Environment	12,163
Tourism	731

Table 11 details the amounts above that have been written off for Council Tax and Business Rates over the respective financial years during 2020/21.

Table 11

Year	Council Tax (£)	Business Rates (£)
Pre 2010	4,604	0
2010	2,610	0
2011	7,241	845
2012	10,437	0
2013	14,442	9,717
2014	9,985	7,262
2015	13,094	913
2016	25,035	9,899
2017	51,642	9,606
2018	23,758	15,841
2019	64,013	28,240
2020	36,423	2,430
2021	21,532	1,535
Total	284,816	86,288

The level of write offs has increased in value from last year in Council Tax and Sundry Debts. The main reason for this is due to the extra work within the Revenues Team during 2020/21 write offs were not a priority area of work and therefore were lower than normal.