

Subject: **Annual Debt Recovery Report 2018/19**

Report to: **ELT 3rd June 2019**
Policy & Resources Committee 23rd July 2019

Report by: **Stuart Brabben - Revenues Manager**

SUBJECT MATTER/RECOMMENDATIONS

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

To 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/BACKGROUND

1.1 The Annual Debt Recovery 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

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 of 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.

1.3 Collection rates and levels of overall Council Tax debt continue to be adversely impacted over recent years. There are several reasons for this including 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 and the benefit cap, putting additional pressure on household incomes.

There have been a number of welfare reform changes and technical changes to council tax including an increase in the charge for second homes owners, holiday chalet owners and for empty properties. These changes impacted on the level of council tax to be collected and the ability of some residents to pay.

2. PERFORMANCE

Summary of collection rates and reductions in arrears

2.1 Business Rates

- 2.1.1 New more streamlined processes and working practices contributed to considerable improvements being made to the Business Rates in year collection rate and the year-end target of 98% (previous year 97.6%) was achieved. Overall arrears at 31 March 2019 were also reduced by over £29,000, from £1,410,094 to £1,380,479 compared to 31 March 2018. This would have been reduced further (£160,000), but we had some backdated increased bills back to the 2010 Rating list. To help the rate payer pay these we have had to take longer payment arrangements than normal (i.e. the arrangements also go into this financial year). It is expected that the improved collection rates and reduction in arrears trend will continue for 2019/20.

2.2 Sundry Debts

- 2.2.1 New more streamlined processes and working practices contributed to considerable improvements being made in the Sundry Debt (including Housing Benefit Overpayments) overall arrears total, which saw the total debt outstanding reduce by £974,792 from £4,293,481 to £3,318,689. This exceeded the year-end target on reduction in arrears. It is expected that this trend will continue for 2019/20 with a further reduction in arrears at the end of the financial year.

2.3 Council Tax

- 2.3.1 The Council Tax in year collection rate for 2018-19 was 95.9% which was an improvement of 0.2% on the previous years' collection rate. Tin-year collection, continues to more of a challenging area to improve however, improved communications and engagement with some residents who are finding it difficult to pay is helping to improve this area. It should be noted that over £150,000 extra was collected from previous years arrears compared with 2017-18 and that for 2018/19 a further £394,000 has been collected since April 2019 resulting in collection rate now being 96.7%.

2.4 Future Plans and initiatives

Implementing various initiatives during 2018/19 including closer working with NPLaw, enhanced staff training, reviewing processes and procedures and setting challenging targets for enforcement agents have had a positive impact on performance.

To improve this position further it is planned to:

- Work more closely with debt agencies such as DIAL and CAB to engage with hard to reach customers who are finding it difficult to pay
- To increase high level debt enforcement activity. To do this we presented a business case to Norfolk County Council and they have agreed to fund a full-time member of staff to focus on this area of work
- Continue to review of processes and procedures to improve efficiency and effectiveness

It is expected that improvements in collection rates will continue in 2019/20 and reach the target collection of 97%.

- 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

To approve:

- (l) 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.

Area for consideration	Comment
Monitoring Officer Consultation:	No
Section 151 Officer Consultation:	Yes
Existing Council Policies:	Debt Recovery Guidelines
Financial Implications:	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.
Legal Implications (including human rights):	No
Risk Implications:	No
Equality Issues/EQIA assessment:	<p>The Debt Recovery Guidelines 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.</p> <p>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</p>
Crime & Disorder:	No
Every Child Matters:	No

Appendix 1

1. Collection Rates and Arrears Position

The Table 1 below 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	2016/17	3,655,247	1,646,287	3.8%	1,881,548
	2017/18	4,326,908	1,815,589	4.3%	2,263,784
	2018/19	4,755,585	2,214,271	4.5%	2,210,915

Income Area	Year/Date	Total Arrears at 31 st March All Years (after write offs)* (£)	Current Years Arrears (after write –offs) ** (£)	% of Current Arears v Net Debit	Provision for Bad/Doubtful Debt for all years (£)
Business Rates	2016/17	1,643,321	896,380	2.9%	514,203
	2017/18	1,410,094	721,925	2.4%	458,014
	2018/19	1,380,479	592,740	1.9%	409,170

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

** This is the arrears figure for 2018/19 as at 31/3/2019.

Collection of the all arrears is ongoing and for 2018/19 a further £394,000 Council Tax has been collected since April 2019 resulting in collection rate now being 96.7%.

Table 2 below 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 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 (includes HB Overpayments)	2016/17	*5,011,629	10,002,000	50%	903,079
	2017/18	** 4,293,481	10,563,307	44%	860,559
	2018/19	***3,318,689	9,344,002	35%	592,516

- * 2016/17 – Housing Benefit Overpayment value = £2,426,795
- ** 2017/18 – Housing Benefit Overpayments value = £2,183,715
- *** 2018/19 – Housing Benefit Overpayments value =£1,848,665

During 2018/19 £119,000 more was collected than raised (£500,260) for Housing Benefit Overpayments.

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

Table 3

Age of Debt	Amount £
0 to 90 days old	284,972
90 to 180 days old	319277
181 to 365 days old	169207
Over 1 year old	696,568

Table 4 below shows the Aged Debt Analysis for Housing Benefit Overpayments

Table 4

Age of Debt	Amount £
0 to 90 days old	40,483
90 to 180 days old	42,062
181 to 365 days old	103,204
Over 1 year old	1,662,917

Table 5 below 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	2016/17	42,824,000	47,539	900.81	3,655,247
	2017/18	46,221,000	47,784	967.29	4,326,908
	2018/19	49,257,000	47,964	1,027	4,755,585
Business Rates	2016/17	31,753,000	4,771	6,655.42	1,643,321
	2017/18	30,482,000	4,935	6,176.69	1,410,094
	2018/19	31,641,000	5010	6,315.57	1,380,479
Sundry Income	2016/17	10,002,000	10,206	980.01	5,011,629
	2017/18	10,563,307	9,011	1,172.26	4,293,481
	2018/19	12,458,032	8827	1,411.35	3,318,689

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

Table 6

Income Area	2016/17	2017/18	2018/19	Target 2019/20
Council Tax	96.2%	95.7%	95.9%	97%
Business Rates	97.1%	97.6%	98%	98.3%

Table 12 provides the Norfolk local authority comparator collection rates for council and business rates.

Table 7 shows the current overall collection rates for Council Tax and Business Rates since 2012, 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 (as at 31 March 2019)	£ of debt outstanding	Business Rates (as at 31 March 2019)	£ of debt outstanding
2012/13	99.3%	£115,539	99.3%	£18,663
2013/14	99.1%	£192,639	99.2%	£48,163
2014/15	98.8%	£285,930	99.2%	£57,884
2015/16	98.6%	£437,950	98.9%	£86,125
2016/17	98.3%	£723,924	98.8%	£142,949
2017/18	97.6%	£1,177,469	98.2%	£421,523

It should be noted that for 2018/19 a further £394,000 has been collected since April 2019 resulting in collection rate now being 96.7%.

2. Write-Offs

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

Table 8

Income Area	2016/17 (£)	2017/18 (£)	2018/19 (£)
Council Tax	298,698	221,280	298,551
Business Rates	97,445	367,509	336,797
Sundry Income (includes Housing Benefit write-offs)	260,514	337,322	201,578
Housing Benefit element of Sundry Income Write Offs shown above	160,335	258,989	130,691

Table 9 below details the category of debts that have been written off over the year 2018/19 for all years.

Table 9

Category	Council Tax (£)	Business Rates (£)	Sundry Income (£)
Unable to collect Uneconomic/ bailiff unable to collect	13,621	1,697	39,796
Debtor deceased	3,932	0	24,049
Debtor absconded	239,866	64,220	33,642
Debtor in bankruptcy Or liquidation or other Insolvency proceedings	40,144	270,880	101,047
Ill health & no means	983	0	0
Undue hardship		0	0
Debt remitted by the Court	0	0	1,380

Detained/Prison	0	0	1,155
Other	5	0	508
Totals	298,551	336,797	201,578

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

Table 10

Debt type	£ as at 31 st March 2019
General/Misc	22,084
Property	3,497
BIDS	12,155
HRA	2,172
Yare Care	900
Housing & Neighborhoods (Homeless)	25,546
Environment	4,530
Tourism/Building Control	3

Table 11 below details the amounts above that have been written off for Council Tax and Business Rates over the respective financial years during 2018/19.

Table 11

Year	Council Tax (£)	Business Rates (£)
pre 2010	3,540	-40
2010	10,393	-1,885
2011	16,227	4,002
2012	26,567	521
2013	48,577	8,056
2014	72,147	30,994
2015	63,826	55,757
2016	32,575	66,610
2017	17,680	127,578
2018	7,019	45,204
Total	298,551	336,797

The debts for Council Tax written off are principally debts from previous years that cannot be recovered e.g. Debtors absconded and insolvencies. The level of Business Rates written off has decreased in value from last year. The reasons for this include less debtors being insolvent. The level of Sundry Income write offs has decreased mainly due to a decrease in insolvencies, Debt Relief Orders and debtors who have absconded. Whilst every effort is made to trace debtors there some debtors that cannot be traced, and the debts must be written off.

Table 12

Council Tax and Business Rates Collection for Norfolk Local Authorities

Council Tax

LA	2017/18	2018/19	Reduction or increase in collection rate
Broadland	99%	99%	0.0%
North Norfolk	98.7%	98.7%	0.0%
South Norfolk	98.5%	98.3%	-0.2%
Kings Lynn & West Norfolk	97.7%	97.7%	0.0%
Breckland	97.7%	97.6%	-0.1%
Great Yarmouth	95.7%	95.9%	0.2%
Norwich	95.6%	95.7%	0.1%

GYBC biggest increase in CTAX Collection rate 0.2%

Business Rates

LA	2017/18	2018/19	Reduction or increase in collection rate
Broadland	99.3%	99.2%	- 0.1%
North Norfolk	99.4%	99.2%	- 0.2%
Kings Lynn & West Norfolk	99.1	99%	-0.1%
Great Yarmouth	97.6%	98%	0.4%
South Norfolk	98.3%	98%	-0.3%
Norwich	97.9%	97.7%	- 0.2%
Breckland	98%	96.5%	-1.5%

GYBC biggest increase in Business Rates Collection rate 0.4%