

DEBT COLLECTION PERFORMANCE SUMMARY QUARTER 4

The Council collects a large range of different types of debts for the services that it provides to individuals and organisations. Whilst payment for a service in advance is the preferred method of collection there are some services where invoices will be issued.

The collection of debts for General Debtors, Council Tax & Business Rates and Housing Benefit Overpayments is centralised within the Corporate Recovery team based in the Revenues and Benefit service.

The Housing Service is responsible for the collection of debts in the Housing Revenue Account (HRA) with the exception of Former Tenant Arrears which sits with the Corporate Recovery team.

General Debtors

These debts cover a wide range of services that the Council provides such as adult social care, rents and service charges on Council owned commercial properties, planning obligations and traded services such as the community language service, IT and HR for schools etc.

Invoices are issued by the service area and if the invoice is unpaid when its due date is passed it becomes the responsibility of the corporate recovery team.

Recovery is undertaken in accordance with the Council's Income & Collection policy and Debt stream collection guidance. Up to three reminder letters are automatically generated for unpaid invoices and the corporate recovery team will seek to contact the customer to secure payment. If payment is not received, recovery options including the use of a debt collection agency or seeking to obtain a judgment in the County Court which would allow for the use of bailiffs, attachment of earnings, insolvency, charging order or third party payment orders are used as appropriate. Where actions incur upfront costs to the Council these will, where possible be recovered from the debtor.

Table 1 - In year Performance

Invoices Raised in 19/20 £m's	Invoices Written Off £m's	2019/20 Invoices Cleared £m's	In Year Collection Rate %	% of Invoices Cleared Within 3 Months	% of Invoices Cleared Within 6 Months
95.492	0.880	88.881	93.08	94.25	97.51

The in-year collection rate (93.08%) is based on the value of invoices raised with a due date in Q1 to Q4 that were cleared by the end of the Q4.

The % of invoices cleared within 3 months (94.25%) and 6 months (97.51%) is based on the value of invoices raised in December 2019 and September 2019 respectively that are now cleared.

Table 2 – Aged Debt

	1-30 Days Overdue £m's	31-90 Days Overdue £m's	91-183 Days Overdue £m's	184-365 Days Overdue £m's	Over 365 Days Overdue £m's	TOTAL £m's
Q4 end	2.127	1.598	0.730	1.030	2.959	8.444

Breakdown of aged debt by service area

	1-30 Days £m's	31-90 Days £m's	91-183 Days £m's	184-365 Days £m's	Over 365 Days £m's	TOTAL £m's
Chief Executive	0.889	0.664	0.520	0.779	2.127	4.980
Corporate	0.142	0.670	0.000	0.000	0.000	0.812
Deputy Chief Executive	1.053	0.230	0.178	0.206	0.714	2.381
Finance Services	0.000	0.000	0.000	0.000	0.009	0.010
Human Resources	0.004	0.001	0.000	0.000	0.007	0.011
Information Technology Services	0.039	0.000	0.000	0.002	0.002	0.043
LGSS - Revenue & Benefits	0.000	0.000	0.000	0.000	0.000	0.000
Managing Director and Support	0.000	0.033	0.024	0.031	0.071	0.160
Place	0.000	0.000	0.000	0.009	0.000	0.009
not allocated to a directorate	0.000	0.000	0.008	0.002	0.028	0.038
Grand Total	2.127	1.598	0.730	1.030	2.959	8.444

Council Tax & Business Rates (NNDR)

Bills are issued annually for Council Tax and Business Rates and are payable in either 10 or 12 monthly instalments.

Reminders are issued if a payer should fall behind with their monthly instalments and if they fail to bring their instalments up to date, the right to pay in instalments is lost and the balance of the full year becomes payable immediately. Failure to make payment in full will result in the issue of a summons to the magistrates court and at the hearing the Council will be granted a liability order to recover the unpaid debt. Costs become payable by the debtor and are added to the liability order.

Debts may be recovered by payment arrangement, referral to enforcement agents, attachment of earnings or benefits (council tax only), insolvency, charging order (council tax only) or committal to prison for up to 90 days.

Table 3 - In year collection for 2019/20

	Net Collectible Debit	Amount Collected	Target Collection Rate YTD	Actual Collection Rate YTD	Year End Forecast	MKC 2018/19 Collection Rate	Average Collection Rate for Unitary Authorities 2018/19*
	£m	£m	%	%	%	%	%
Council Tax	152.390	148.961	97.50	97.96	97.70	98.1	96.8
NNDR	180.649	177.757	98.20	98.63	98.20	98.6	98.2

*Source from MHCLG – latest available data

Table 4 - In year movement all years

	Council Tax			NNDR		
	Previous Year Arrears Outstanding	Current Year 2019/20	Total Outstanding	Previous Year Arrears Outstanding	Current Year 2019/20	Total Outstanding
	£m	£m	£m	£m	£m	£m
01/04/2019	6.683	149.639	156.322	3.975	178.440	182.415
30/04/2019	6.264	134.781	141.045	4.113	161.863	165.976
31/05/2019	5.169	120.508	125.677	3.889	142.090	145.978
30/06/2019	5.452	104.619	110.071	3.568	126.682	130.250
31/07/2019	5.114	92.456	97.570	3.264	108.815	112.079
31/08/2019	4.860	78.532	83.383	3.050	93.175	96.225
30/09/2019	4.565	64.346	68.911	2.992	77.038	80.299
31/10/2019	4.283	50.020	54.303	2.707	61.602	64.309
30/11/2019	4.045	35.927	39.972	2.234	46.554	48.788
31/12/2019	3.837	21.773	25.610	1.930	28.910	30.841
31/01/2020	3.586	8.045	11.631	1.811	15.019	16.830
29/02/2020	3.436	5.526	8.962	1.393	7.514	8.907
31/03/2020	3.162	3.690	6.853	1.198	2.207	3.405

At year end current year outstanding balance will be added to previous years arrears and therefore it is important to ensure that active recovery continues on both current year debt and arrears from previous years.

Housing Benefit Overpayment Debt

Housing Benefit overpayments may be recovered in three different ways:

- (1) A standard weekly deduction made from a claimant's ongoing housing benefit claim, (in most cases £11.10 per week)
- (2) Issuing an invoice where the claimant is no longer in receipt of housing benefit; recovery options include payment arrangement, deductions from earnings, referral to debt collection agents or county court action.
- (3) By requesting the DWP to make a standard weekly deduction from other welfare benefits

Table 5 – Housing Benefit Overpayments Aged Debt

	Recovery From Ongoing Benefit	Invoiced Recovery	Deductions From DWP Benefit	TOTAL Overpayment to be Recovered
	£m	£m	£m	£m
Overpayments raised in previous years	1.202	4.303	0.167	5.671
Overpayments raised in current year	1.126	1.768	0.107	3.001
TOTAL overpayment to be recovered	2.328	6.070	0.274	8.672

There continues to be a shift from recovery from ongoing benefit to invoiced recovery as a consequence of the move of claimants from Housing Benefit to Universal Credit.

Table 6 - Recovery from Ongoing Benefit

Balance as at:	Total Overpayment to be Recovered From Ongoing Benefits	Inactive (Claim Suspended or Pending)	In Active Recovery or Queued to Start	% of Total Debt in Active Recovery
	£m	£m	£m	%
01.04.19	3.227	0.327	2.900	89.86
01.07.19	2.973	0.247	2.726	91.71
01.10.19	2.593	0.263	2.330	89.86
01.01.20	2.456	0.201	2.255	91.81
01.04.20	2.328	0.204	2.124	91.24

Inactive debt is where the Housing Benefit claim is not currently in payment due to an outstanding query and deductions cannot be made until the claim is put back into payment. Again the trend in the reduction in the debt to be recovered from ongoing benefit is demonstrated throughout the year

Table 7 - Recovery by Invoice in year

In Year Collection	Opening Debit 01/04/19	Change in Debit	Cash Collected	Write Offs	Balance Outstanding	2019/20 Collection at End Q4	2018/19 Collection at 31/03/19
	£m	£m	£m	£m	£m	%	%
	5.887	1.814	(1.412)	(0.218)	6.071	18.34	16.86

Additional resource is to be targeted at this method of collection in 2019/20 as it is expected that the amount to be collected will continue to rise as the rollout of Universal Credit continues.

Table 8 – Long Term Collection- since 2012

Opening Debit 01/04/12	Change in Debit	Cash Collected	Write Offs	Balance Outstanding	Long Term Collection Rate	Long Term Write Off Rate
£m	£m	£m	£m	£m	%	%
3.550	14.949	(9.266)	(3.162)	6.070	50.09	15.09

This table shows an analysis of collection since April 2012. The calculation uses the Cash received between 1/4/12 to date, divided by the balance at 1/4/12 together with new debt raised since 1/4/12, to give the long term collection rate.

Housing (HRA & GF)

The Housing Revenue Account (HRA) records all revenue expenditure and income relating to the provision of council dwellings and related services. HRA rents and service charges are billed through the Northgate housing system. In addition to these HRA charges, Temporary Accommodation (TA) and garage rents relating to General Fund housing (GF) are also billed through Northgate. Outstanding debt balances for HRA and GF are shown in table below. Collection of HRA & GF Housing debts sits within the Housing team, with the exception of Former Tenant Arrears which is managed by the Corporate Recovery team in Revenues & Benefits.

Table 9 – HRA Debt

Service	Opening Outstanding Debt April 2019	Current Debt Outstanding at March 2020	Movement	0-90 Days *	91-180 Days *	181+ Days *
	£m	£m	£m	£m	£m	£m
HRA	3.841	4.210	0.369	1.431	0.881	1.898
GF	1.311	1.563	0.252	0.971	0.336	0.256

* Aged debt for rents and service charges is calculated on the basis of the total value of arrears divided by the weekly debit.

Housing debt levels have risen compared to past years as more Housing Benefit Claimants transition to Universal Credit. The roll out of Universal Credit in MK has accelerated and financial implications of Covid-19 will present significant risks to collection rates. It will be a challenge to maintain performance levels at current levels and the service will be seeking to improve processes for income collection to respond to this and maintain performance.