

Debt Management Performance

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.

1. 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 – General Debtors

Balance at 31/3/17	Invoices raised 17/18	Invoices written off	Invoices cleared	Balance at 31/3/18	% of invoices raised 3 months ago that are cleared	% of invoices raised 6 months ago that are cleared
£m	£m	£m	£m	£m	%	%
4.569	95.499	(0.260)	(91.607)	£8.201	91.79%	97.4%

Table 2 - Aged Debt

	1-30 days overdue	31-90 days overdue	91-183 days overdue	184-365 days overdue	Over 365 days overdue	TOTAL
	£m	£m	£m	£m	£m	£m
Qtr 1 end	1.427	0.663	0.876	0.720	2.185	5.871
Qtr 2 end	0.997	0.914	0.447	1.089	2.248	5.695
Qtr 3 end	0.913	0.480	0.665	0.898	2.110	5.066
Qtr 4 end	3.894	0.792	0.625	0.618	2.272	8.201

The significant increase in outstanding debt 1-30 days is due to 3 invoices , totalling £2.682m being due for payment 25th to 30th March being unpaid when SAP closed on 27th March.

Table 3 - Aged Debt by service at 31/03/2018

Days overdue	1-30 days	31-90 days	91-183 days	184-365 days	1 to 2 years	Over 2 years	Total
	£m	£m	£m	£m	£m	£m	£m
Shared	0.730	0.409	0.082	-0.020	0.103	(0.005)	1.299
ASC	0.145	0.214	0.341	0.477	0.775	0.792	2.744
Public Realm	2.937	0.066	0.186	0.082	0.083	0.050	3.404
Housing	(0.005)	0.010	0.001	0.028	0.002	0.341	0.377
Others	0.086	0.094	0.014	0.052	0.089	0.042	0.378

1. Shared group is where a customer may fall within more than one service area and usually includes large organisations such as other local authorities, NHS etc
2. ASC (adult social care) has the highest incidence of aged debt and it is the most problematic to collect given the circumstances of our customers. A dedicated ASC debt recovery officer based in the Corporate Recovery team was appointed in August 2017 and following training has taken on the collection of this debt. Since the beginning of October they have been responsible for the recovery of debts totalling £0.347m. Initial emphasis is on early intervention to prevent the accrual of old debts.
3. Public Realm includes high value invoices such as statutory planning obligations (e.g. s106 agreements)
4. Housing includes historic invoices for bed & breakfast accommodation charges. These debts are managed by the Housing service. Housing are currently reviewing these debts to assess their collectability but the process was not completed before the migration to ERP Gold.

2. 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 4 - In year collection for 2017/18

	Net Collectible debit	Amount collected	Target Collection Rate YTD	Actual Collection Rate YTD	Year End Forecast	Average collection rate for unitary authorities 2016/17*
	£m	£m	%	%	%	%
Council Tax	132.906	132.251	97.50%	98.00%	97.50%	97.00%
NNDR	173.393	170.460	98.20%	98.31%	98.20%	98.20%

*Source from MHLGC – latest available data

Both Council Tax and NNDR collection exceeded the forecasted collection rate.

Table 5 - In year movement all years

	Council Tax			NNDR		
	Previous year arrears outstanding	Current year 2017/18	Total outstanding	Previous year arrears outstanding	Current year 2017/18	Total outstanding
	£m	£m	£m	£m	£m	£m
01/04/2017	5.824	132.389	138.213	3.845	175.027	178.872
30/04/2017	5.490	117.545	123.035	4.699	154.830	159.529
31/05/2017	4.897	104.874	109.771	4.254	137.514	141.768
30/06/2017	4.949	92.829	97.778	3.780	121.554	125.334
31/07/2017	4.721	80.476	85.197	3.612	106.051	109.663
31/08/2017	4.483	68.216	72.699	3.470	89.991	93.461
30/09/2017	4.341	55.944	60.285	3.462	75.941	79.403
31/10/2017	4.065	43.245	47.310	3.375	58.424	61.799
30/11/2017	3.815	30.846	34.661	3.238	42.505	45.743
31/12/2017	3.696	18.570	22.266	3.088	28.729	31.817
31/01/2018	3.497	6.528	10.025	2.340	14.025	16.365
28/02/2018	3.409	4.385	7.793	2.311	7.161	9.472
31/03/2018	3.384	3.048	6.433	2.050	2.703	4.753

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 and arrears from previous years.

3. 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 is 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 6 – Housing Benefit Overpayments Aged Debt

	Recovery from ongoing benefit	Invoiced recovery	Deductions from DWP benefit	Total
	£m	£m	£m	£m
Overpayments raised in previous years	1.130	3.053	0.048	4.231
Overpayments raised in current year	2.829	2.619	0.187	5.635
TOTAL overpayment to be recovered	3.959	5.671	0.235	9.866

There is an ongoing reduction in the level of overpayments outstanding from previous years but an increase in current year overpayments has resulted in an overall increase in the total debt to be recovered .

A steady increase in new overpayments being raised is in line with the national trend although this the additional benefits processing at the end of the year has also contributed to this increase

Table 7 - Recovery from Ongoing Benefit

Balance at	Total Overpayment to be recovered from Ongoing Benefits	Inactive (claim suspended or pending)	In Active Recovery or queued to start	Amount recovered each month	% of total debt recovered each month	% of total debt in active recovery
	£m	£m	£m	£m	%	%
01.04.17	3.149	0.461	2.688			85.36%
01.05.17	3.116	0.485	2.631	-0.237	7.61%	84.44%
01.06.17	3.051	0.432	2.619	-0.255	8.36%	85.84%
01.07.17	3.118	0.432	2.686	-0.287	9.20%	86.14%
01.08.17	3.061	0.469	2.592	-0.277	9.05%	84.68%
01.09.17	3.011	0.486	2.525	-0.269	8.93%	83.86%
01.10.17	2.928	0.505	2.424	-0.254	8.67%	82.79%
01.11.17	2.980	0.491	2.388	-0.207	6.95%	80.13%
01.12.17	2.976	0.557	2.419	-0.210	7.06%	81.28%
01.01.18	3.056	0.607	2.449	-0.223	7.30%	80.14%
01.02.18	3.161	0.581	2.580	-0.269	8.52%	81.63%
01.03.18	3.330	0.692	2.638	-0.330	9.90%	79.22%
01.04.18	3.959	0.569	3.390	-0.395	9.97%	85.62%

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.

The benefits team and recovery team are working together to review the process which gives rise to inactive debt aim to reduce this over the coming months.

Table 8 - Recovery by Invoice in year

Opening debit 1/4/17	Change in Debit	Cash collected	Write offs	Balance outstanding	2017/18 collection to date	2016/17 in year collection at 31/3/17
£m	£m	£m	£m	£m	%	%
4.965	1.732	-1.039	-0.450	5.208	15.51%	19.03%

Table 9 – Long Term Collection

Opening debit 1/4/12	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	10.285	-6.192	-2.435	5.208	44.76%	17.60%

4. Housing (HRA)

The Housing Revenue Account (HRA) records all revenue expenditure and income relating to the provision of council dwellings and related services.

On 1 October 2015 a number of assets were transferred from the HRA to the General Fund (GF Housing & MKC commercial). These assets were made up of hostels, garages and some commercial properties and these transferred assets are now shown separately within the monthly figures. Collection of these 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 10 – Current Aged Debt

Service	Total Debt Outstanding £m	0-90 £m	91-180 £m	181+ £m
£m	£m	£m	%	%
Housing Revenue Account (HRA)	3.505	1.067	0.846	1.592
Housing & Regeneration (GF)	0.999	0.642	0.192	0.165

Overall housing debt levels are relatively stable, driven by the restructured Housing teams and debt management processes. However, the rolling out of Universal Credit in MK creates a significant risk to collection rates and it will be a challenge to maintain performance levels at current levels without further investment in staff and structures.