

ANNEX H - MKC DEBT COLLECTION PERFORMANCE SUMMARY QUARTER 1

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 20/21 £m's	Invoices Written Off £m's	2020/21 Invoices Cleared £m's	In Year Collection Rate %
13.590	0.000	8.365	82.29%

% of Invoices Cleared Within 3 Months	% of Invoices Cleared Within 6 Months
56.54%	96.13%

The in-year collection rate (82.29%) is based on the value of invoices raised with a due date in Q1 that were cleared by the end of the Q1.

The % of invoices cleared within 3 months (56.54%) and 6 months (96.13%) is based on the value of invoices raised in March 2020 and December 2020 respectively that are now cleared. The low figure for invoices cleared within 3 months is affected by 7 invoices for s106 agreements totalling £2.2m remaining unpaid at the end of Q1. Due to the Covid19 pandemic proactive debt recovery was suspended at the end of March 2020 and therefore the recovery of these invoices has not been pursued in the normal manner. However as the restrictions imposed by the pandemic on house building and house sales ease recovery processes are recommencing in Q2.

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
Q1	1.116	4.319	2.438	0.894	2.681	11.449

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	0.263	1.101	0.939	0.754	2.121	5.178
Corporate	0.000	2.179	0.812	0.000	0.000	2.992
Deputy Chief Executive	0.839	0.915	0.674	0.174	0.559	3.161
Finance Services	0.000	0.000	0.000	0.000	0.007	0.008
Human Resources	0.000	0.000	-0.001	0.000	0.006	0.005
Information Technology Services	0.001	0.048	0.039	0.000	0.004	0.092
LGSS - Revenue & Benefits	0.000	0.000	0.000	0.000	0.000	0.000
Managing Director and Support	0.034	0.022	0.003	0.023	0.037	0.120
Place	0.000	0.000	0.000	0.001	0.008	0.009
not allocated to a directorate	-0.021	0.053	-0.029	-0.058	-0.061	-0.115
Grand Total	1.116	4.319	2.438	0.894	2.681	11.449

The suspension of proactive recovery for Q1 is reflected in the increase in debt between 31 to 90 days and 91 to 183 days.

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 2020/21

	Net Collectible Debit	Amount Collected	Target Collection Rate YTD	Actual Collection Rate YTD	Year End Forecast	MKC 2019/20 Collection Rate	Average Collection Rate for Unitary Authorities 2019/20*
	£m	£m	%	%	%	%	%
Council Tax	157.947	45.896	29.95	29.06	97.70	98.0	96.6
NNDR	111.874	29.817	30.50	26.65	98.20	98.6	97.9

*Source from MHCLG – latest available data (July 2020)

Given the current economic climate there is an expected downturn in collection against target in Q1. Whilst the collectable debt for NNDR has reduced significantly due to the award of Extended Retail Rate Relief many of the remaining businesses outside of this relief remain financially impacted by the current crisis. Usual recovery processes have been suspended since the onset of the Covid19 pandemic in March but a measured and phased return to recovery is planned for Q2.

Table 4 - In year movement all years

	Council Tax			NNDR		
	Previous Year Arrears Outstanding	Current Year 2020/21	Total Outstanding	Previous Year Arrears Outstanding	Current Year 2020/21	Total Outstanding
	£m	£m	£m	£m	£m	£m
01/04/2020	6.853	158.284	165.136	3.405	180.096	183.502
30/04/2020	6.628	142.932	149.560	3.374	104.835	108.209
31/05/2020	6.347	126.284	132.631	3.431	93.962	97.393
30/06/2020	6.144	112.046	118.190	3.369	82.061	85.430

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.

As with current year collection, the recovery of previous years arrears has been suspended since March 2020 and this has resulted in a decrease in % collected compared with previous years. The restriction on enforcement activity is due to be lifted on 24 August 2020.

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	1.582	5.675	0.213	7.470
Overpayments raised in current year	0.594	0.401	0.041	1.036
TOTAL overpayment to be recovered	2.176	6.077	0.254	8.506

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	%
01.04.2020	2.328	0.204	2.124	91.23
30.06.2020	2.175	0.189	1.986	91.30

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 in Q1.

Table 7 - Recovery by Invoice in year

In Year Collection	Opening Debit 01/04/20	Change in Debit	Cash Collected	Write Offs	Balance Outstanding	2020/21 Collection at End Q1	2019/20 Collection at 31/03/2020
	£m	£m	£m	£m	£m	%	%
	6.070	0.311	(0.273)	(0.033)	6.076	4.30	18.34

As with all other debt streams proactive recovery has been suspended in Q1, but will begin to resume in Q2.

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	15.194	(9.539)	(3.129)	6.076	50.89	16.69

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 2020	Current Debt Outstanding at June 2020	Movement	0-90 Days *	91-180 Days *	181+ Days *
	£m	£m	£m	£m	£m	£m
HRA	4.210	4.723	0.513	1.650	1.002	2.071
GF	1.563	1.615	0.052	1.040	0.330	0.245

** 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