

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 21/22 £m's	Invoices Written Off £m's	2021/22 Invoices Cleared £m's	In Year Collection Rate %	% of Invoices Cleared Within 3 Months	% of Invoices Cleared Within 6 Months
19.602	0.331	15.564	79.40%	91.24%	98.80%

The in-year collection rate (79.40%) is based on the value of invoices raised with a due date in Q1 that were cleared by the end of the Q1. Planning invoices of £2.6m

which were due to be paid mid-June remain unpaid at end of June and this is impacting the in year collection rate.

The % of invoices cleared within 3 months (91.241%) and 6 months (98.80%) is based on the value of invoices raised in March 2021 and December 2020 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
Q1	1.990	1.726	0.633	1.367	3.493	9.209

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	0.309	1.086	0.586	1.305	3.282	6.568
Corporate	1.068	0.104	(0.005)	(0.038)	(0.020)	1.109
Deputy Chief Executive	0.613	0.536	0.052	0.079	0.194	1.474
LGSS	0.000	0.000	0.000	0.021	0.037	0.058
Grand Total	1.990	1.726	0.633	1.367	3.493	9.209

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 2021/22

	Net Collectible Debit	Amount Collected	Target Collection Rate	Actual Collection Rate	MKC 2020/21 Collection Rate	Average Collection Rate for Unitary Authorities 2020/21*
	£m	£m	%	%	%	%
Council Tax	169.114	51.311	29.95	30.34	97.7	95.8
NNDR	147.514	37.810	30.50	26.63	95.1	93.7

*Source from MHCLG – latest available data (June 2021)

NNDR collection is reporting as below a target but this has been impacted by the reduction in Extended Retail Discount from 100% to 66% from 1 July 2021 which has increased the collectable debit. This should readjust as businesses begin to make payment based on their new payments plans from 1 July.

Table 4 - In year movement all years

	Council Tax			NNDR		
	Previous Year Arrears Outstanding	Current Year 2021/22	Total Outstanding	Previous Year Arrears Outstanding	Current Year 2021/22	Total Outstanding
	£m	£m	£m	£m	£m	£m
01/04/2021	8.607	165.007	173.614	8.941	120.385	129.326
30/06/2021	6.943	117.994	124.938	5.293	109.717	115.010

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	1.308	4.62	0.428	6.356
Overpayments raised in current year	0.41	0.367	0.378	1.155
TOTAL overpayment to be recovered	1.718	4.987	0.806	7.511

The increase in working age claimants onto Universal Credit is now starting to be reflected in the method of recovery for overpayments. Overpayments being recovered through ongoing benefit and invoiced recovery are declining whilst the number of requests to DWP for direct deduction from Universal Credit has increased. The move to universal Credit is also starting to be reflected in the number of overpayments being created with overall debt to be recovered beginning to fall.

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	%
01.04.2021	1.897	0.192	1.705	89.85
30.06.2021	1.718	0.201	1.507	87.71

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.

Table 7 - Recovery by Invoice in year

In Year Collection	Opening Debit 01/04/20	Change in Debit	Cash Collected	Write Offs	Balance Outstanding	2021/22 Collection at End Q1	2020/21 Collection at 31/03/2021
	£m	£m	£m	£m	£m	%	%
	5.331	0.131	(0.422)	(0.054)	4.987	7.73	17.89

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	15.875	(10.912)	(3.526)	4.987	56.17	18.15

This table shows an analysis of collection since April 2012.

Housing (HRA & AS/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) relating to Adult Services (AS) and garage rents relating to General Fund housing (GF) are also billed through Northgate. Outstanding debt balances for HRA, AS & GF are shown in table below. Collection of 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 – Northgate Housing Debt

Service	Opening Outstanding Debt April 2021	Current Debt Outstanding at Jun 2021	Movement	0-90 Days *	91-180 Days *	181+ Days *
	£m	£m	£m	£m	£m	£m
HRA	4.707	5.111	0.404	1.645	0.830	2.635
AS TA & GF	1.761	1.791	0.030	1.162	0.337	0.292

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

£0.27mk of the Q1 HRA debt increase is from major works recently recharged to leaseholders and is expected to be recovered over a longer period. The remaining debt movement is from housing rents which 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.