

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 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

| Balance at 31/3/17 | Invoices raised 17/18 | Invoices written off | Invoices cleared | Balance at 30/11/17 | % 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 | £52.217 | (£0.102) | (£50.511) | £6.173 | 90.70% | 96.48% |

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 |
| Month end Nov17 | 1.785 | 0.760 | 0.520 | 0.928 | 2.181 | 6.174 |

2 planning invoices totalling £0.669m which were due for payment on 17 November 2017 had not been paid by 30 November 2017 thereby increasing the debt outstanding at month end.

Table 3 - Aged Debt by service at 30/11/2017

| 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 | 0.061 | 0.122 | 0.122 | 0.101 | 0.042 | (0.006) | 0.442 |
| ASC | 0.049 | 0.248 | 0.178 | 0.494 | 0.706 | 0.940 | 2.616 |
| Public Realm | 1.532 | 0.359 | 0.137 | 0.217 | (0.001) | 0.088 | 2.332 |
| Housing | 0.007 | (0.005) | 0.028 | 0.000 | 0.010 | 0.334 | 0.374 |
| Others | 0.136 | 0.034 | 0.054 | 0.116 | 0.020 | 0.048 | 0.408 |

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 £68k. 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.

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 | 132.879 | 102.379 | 76.60% | 77.05% | 97.50% | 97.00% |
| NNDR | 173.117 | 130.512 | 74.25% | 75.39% | 98.20% | 98.20% |

*Taken from CLG

NDR collection higher than expected due to John Lewis paying December instalment one day earlier than usual (£0.606m) - adjusted figure would be 75.05% (still 0.85% above target)

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 |

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 | 1.495 | 3.467 | 0.051 | |
| Overpayments raised in current year | 1.481 | 1.456 | 0.149 | |
| TOTAL overpayment to be recovered | 2.976 | 4.923 | 0.200 | 8.099 |

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% |

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 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 | 1.132 | -0.785 | -0.383 | 4.929 | 12.88% | 19.03% |

In year collection is on target to match the in year rate for last financial year.

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 9 - In year performance

| Service | Total Debt Outstanding £m | 0-90 £m | 91-180 £m | 181+ £m |
|----------------------------------|---------------------------------|------------|--------------|------------|
| £m | £m | £m | % | % |
| Housing Revenue Account (HRA) | 3.714 | 1.181 | 0.827 | 1.706 |
| Housing & Regeneration (GF) | 0.888 | 0.390 | 0.237 | 0.261 |

Overall housing debt levels are relatively stable, driven by the restructured Housing teams and debt management processes, and improvement expected in current rent performance due to the rent-free weeks over Christmas. 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.