

MKC DEBT COLLECTION PERFORMANCE SUMMARY QUARTER 3

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 % |
|----------------------------------|------------------------------|----------------------------------|------------------------------|
| 51.553 | 0.421 | 47.863 | 92.84% |

| % of Invoices Cleared Within 3 Months | % of Invoices Cleared Within 6 Months |
|---------------------------------------|---------------------------------------|
| 62.26% | 93.32% |

The in-year collection rate (92.84%) is based on the value of invoices raised with a due date in Q3 that were cleared by the end of the Q3.

The % of invoices cleared within 3 months (62.26%) and 6 months (93.32%) is based on the value of invoices raised in September 2020 and June 2020 respectively that are now cleared. The low % cleared for September is as a result of an invoice for £4.154m due from NHS MK CCG remaining unpaid at end of Q3 however payment has been received on 5 January 2021. If this invoice was excluded the reported collection rate would have been 94.50% from the collection rate. Now that the normal recovery cycles have been restored collection of new invoices appears to have returned to the expected levels

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 end | 1.116 | 4.319 | 2.438 | 0.894 | 2.681 | 11.449 |
| Q2 end | 0.845 | 3.974 | 1.607 | 1.705 | 3.051 | 11.182 |
| Q3 | 1.859 | 2.591 | 0.667 | 1.967 | 2.907 | 9.992 |

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 | 0.370 | 2.470 | 0.573 | 1.455 | 2.380 | 7.248 |
| Corporate | 0.978 | 0.001 | 0.001 | 0.001 | 0.025 | 1.006 |
| Deputy Chief Executive | 0.451 | 0.107 | 0.088 | 0.499 | 0.463 | 1.609 |
| LGSS | 0.060 | 0.013 | 0.005 | 0.012 | 0.039 | 0.129 |
| Grand Total | 1.859 | 2.591 | 0.667 | 1.967 | 2.907 | 9.992 |

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 | 158.157 | 134.346 | 86.00 | 84.94 | 97.70 | 98.0 | 96.6 |
| NNDR | 110.913 | 90.129 | 82.25 | 81.20 | 98.20 | 98.6 | 97.9 |

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

Given the current economic climate there continues to be expected downturn in collection against target in Q3. Recovery procedures recommenced at the end of Q2 and the first court hearings took place at the end of November. This has reduced the shortfall in collection but it still remains below target.

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 |
| 30/06/2020 | 6.144 | 112.046 | 118.190 | 3.369 | 82.061 | 85.430 |
| 30/09/2020 | 5.432 | 68.643 | 74.075 | 3.301 | 52.081 | 55.382 |
| 31/12/2020 | 4.694 | 23.945 | 28.640 | 4.978 | 20.940 | 25.918 |

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 was suspended in March 2020 and this has resulted in a decrease in % collected compared with previous years. The resumption of previous year debts being passed for further recovery recommenced in Q3 however the current financial pressures on residents and businesses is affecting and delaying arrears recovery. The increase in arrears outstanding for NNDR is due to rating change backdated to February 2019 which increased previous year debt to be collected by £1.9m. It is expected that this should be collected by the end of Q4.

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 | 1.180 | 4.842 | 0.198 | 6.220 |
| Overpayments raised in current year | 0.735 | 0.761 | 0.298 | 1.794 |
| TOTAL overpayment to be recovered | 1.915 | 5.604 | 0.496 | 8.015 |

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 is increasing, an increase in the total referred from £0.322m in April to £0.553m by end of Q3.

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 |
| 30.09.2020 | 2.105 | 0.264 | 1.841 | 87.46 |
| 31.12.2020 | 1.915 | 0.213 | 1.702 | 88.88 |

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 | 2020/21 Collection at End Q3 | 2019/20 Collection at 31/03/2020 |
|--------------------|------------------------|-----------------|----------------|------------|---------------------|------------------------------|----------------------------------|
| | £m | £m | £m | £m | £m | % | % |
| | 6.070 | 0.535 | (0.868) | (0.134) | 5.604 | 13.13 | 18.34 |

As with all other debt streams proactive recovery was suspended in Q1, it recommenced in Q2 but collection is currently £0.175m less than the same period last year.

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 | 15.484 | (10.133) | (3.296) | 5.604 | 53.24 | 17.32 |

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 Dec 2020 | Movement | 0-90 Days * | 91-180 Days * | 181+ Days * |
|----------------|--|---|-----------------|--------------------|----------------------|--------------------|
| | £m | £m | £m | £m | £m | £m |
| HRA | 4.210 | 4.860 | 0.650 | 1.690 | 1.122 | 2.048 |
| GF | 1.563 | 1.721 | 0.158 | 1.155 | 0.316 | 0.250 |

** 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.