

NORTHUMBERLAND

Northumberland County Council

Corporate Services and Economic Growth Overview and Scrutiny Committee

4 December 2017

Debt Recovery Update

Report of Alison Elsdon, Director of Corporate Resources

Cabinet Member: Councillor Nicholas Oliver, Portfolio Holder for Corporate Services

Purpose of report

The purpose of this report is to provide the Corporate Services and Economic Growth Overview and Scrutiny Committee with information relating to the level of outstanding debt owed to the Council so that the Committee may satisfy itself as to the efficiency and effectiveness of its collection and recovery policies and systems.

Recommendations

It is recommended that the contents of the report are noted.

Link to Corporate Plan

Effective income management processes are critical to the delivery of overall Council service objectives. A more efficient income management process contributes to the availability of resources for wider or deeper service provision.

Key issues

The management of income is a key business area for Northumberland County Council. The Council collects income from many sources; some of this activity is governed by legislation while other areas by sound principles of financial management. The key to economic, efficient and effective income management is the creation and maintenance of a clear framework that sets out the approach, principles, ownership and strategy within which all activities will be conducted.

It is essential that income is collected effectively by the Council, and that debt owed to the Council is kept to a minimum. This is because the Council has both a legal duty and a responsibility to its citizens to ensure that income due is paid promptly to ensure it can minimise the burden of unpaid debt and enhance service delivery.

The management of all monies owed to the Council is detailed in the Corporate Debt Recovery Policy and includes the following:

- Council Tax and NNDR Recovery Policy
- Council Tax and NNDR Court Costs and Fees Policy
- Housing and Council Tax Benefit Overpayments Policy
- Methods of Payment Policy
- Write Off Policy
- Sundry Debt Policy
- Overpaid Salaries and Wages Policy
- Bankruptcy Policy
- Enforcement Agent Code of Practice for Council Tax and NNDR

Background

Write Offs

1. An integral part of debt recovery is the effective management of irrecoverable debts to ensure that resources are applied effectively to the collection of monies outstanding which can reasonably be expected to be collected.

2. The total debt written off in the last four financial years is shown below:

	2013-14	2014-15	2015-16	2016-17
Sundry debt	£149,143.36	£641,807.10	£66,451.44	£86,859.14
Council Tax	£780,244.13	£918,556.83	£511,941.04	£847,797.21
Business Rates	£1,037,314.93	£879,125.21	£626,310.01	£656,647.24
Benefit Overpayments	£182,814.88	£283,183.72	£238,607.81	£163,040.67
	£2,149,517.30	£2,722,672.86	£1,443,310.30	£1,754,344.26
Homes for				
Northumberland	£71,275.92	£0.00	£0.00	£0.00
Total	£2,220,793.22	£2,722,672.86	£1,443,310.30	£1,754,344.26

3. In accordance with the Council's Finance and Contract Rules, write offs are reported annually to the Cabinet.

4. The Chartered Institute of Public Finance and Accountancy (CIPFA) benchmarking data for 2016-17 shows that:

- The amount of council tax written off as a percentage of Net Debit was 0.51% against an average of 0.69% across the contributing Councils in the benchmarking club; and,
- The amount of business rates written off as a percentage of Net Debit was 0.80% against a club average of 1.03%.

- The amount of benefit overpayments written off as a percentage of total debt outstanding was 1.7% against a club average of 4.7%.
 - The amount of sundry debt written off is well below the club averages for the different categories of debt.
5. At 30 September 2017 the following amounts have been written off during the 2017-18 financial year in accordance with the Council's write-off policy:

	2017-18
Sundry debt	£9.13
Council Tax	£97,572.47
Non-Domestic Rates	£75,621.03
Benefit Overpayments	£117,750.23
Homes for Northumberland (see note 1)	£0.00
Total	£290,952.86

Notes:

1. The Finance & Contract Rules covering write offs were updated at County Council on 1 November 2017 to include HfN/Housing debts.

Sundry Debt

6. At 30 September 2017 the Council was owed £12.188 million by its sundry debtors, £9.172 million of which was past due. The debt, analysed by its maturity, is shown below (with 30 September 2016 figures shown for comparison):

Age of debt	30 September 2016		30 September 2017	
	Number of Invoices	Balance Due £'000	Number of Invoices	Balance Due £'000
Up to 3 months past due	650	1,475	635	1,465
3 to 6 months past due (see note 1)	274	420	245	4,193
6 to 9 months past due	157	156	162	296
9 to 12 months past due	103	485	131	90
1 to 5 years past due	735	1,247	755	916
Over 5 years past due	97	198	138	212
Debt past due date	2,016	3,981	2,066	7,172
Debt within terms	3,519	3,943	3,595	3,016
Total debt	5,535	7,924	5,661	10,188

Notes:

1. Includes 1 invoice that has been part paid and the balance of £3.475 million is not due until 30 September 2018.
7. CIPFA benchmarking data for 2016-17 shows that:

- The Council cleared a weighted average of 95% of invoices raised in a selection of 4 months against a club average of 88%. For comparison, in 2015-16 the Council cleared 98% of invoices within 3 months against a club average of 90%; and, in 2014-15 the Council cleared 97% of invoices within 3 months against a club average of 86%; and,
 - The Council cleared a weighted average of 97% of debt raised in a selection of 4 months against a club average of 91%. For comparison, in 2015-16 the Council cleared 100% of debt raised in 3 months against a club average of 95%; and, in 2014-15 the Council cleared 99% of debt raised within 3 months against a club average of 91%.
8. The majority of the debt inherited as part of Local Government Reorganisation in 2009 has been either collected or written off. There are 46 invoices, totalling £0.07 million which remain outstanding at 30 September 2017.
9. Five customers have past due balances of over £0.1 million at 30 September 2017 (there were five as at 30 June 2017, three as at 31 March 2017, four as at 31 December 2016 and five as at 30 September 2016) representing approximately 62% of the total debt past due as follows:

Customer	30 June 2017		30 September 2017	
	Number of Invoices	Value Past Due £'000	Number of Invoices	Value Past Due £'000
NHS Customer 2 (see note 1)	2	3,274	6	244
NHS Customer 4 (see note 2)	1	2,000	1	437
Customer 1 (see note 3)	19	227	12	120
Company 3	1	1,471	-	-
Company 7 (see note 4)	1	3,475	1	3,475
Company 8 (see note 5)	-	-	1	161
Total	22	10,447	21	4,437

Notes:

1. 1 invoice for £50,000 is now paid. The remaining 5 are being pursued.
 2. The invoice is just past due and is being pursued.
 3. Part payment received from proceeds of sale of property, a significant shortfall was anticipated. Options to recover balance are being assessed.
 4. Invoice has been part paid and the balance is not due until 30 September 2018.
 5. Invoice raised in error and now credited off.
10. Analysis of the level of overdue debt as at 30 September 2017 by the service area raising the invoices is shown below (again with 30 September 2016 figures for comparison):

Service Area	30 September 2016		30 September 2017	
	Number of Invoices	Value Past Due £'000	Number of Invoices	Value Past Due £'000
Adult Services	915	1,755	1,005	1,831
Children's Social Care	81	244	92	457
Corporate Resources (Finance)	242	526	236	350
Corporate Resources (IT)	3	4	5	56
Fire & Rescue	13	9	13	11
Homes for Northumberland	16	30	11	17
Housing Services	9	25	4	1
Local Services (including Projects)	428	998	359	530
Property & Estate Management (see note 1)	15	22	43	*3,599
Pension Fund	1	1	5	30
Public Health/Protection	184	270	181	178
Regeneration	6	77	13	68
Schools	103	20	99	44
Transformation	-	-	-	-
Total	2,016	3,981	2,066	7,172

Notes:

1. * Includes 1 part paid invoice with a balance of £3.475 million that is not due until 30 September 2018.

Council Tax

11. Council Tax is charged on domestic dwellings in the County. There are currently 152,069 domestic dwellings in Northumberland, with a net collectable debit of £179.9 million for 2017-18.
12. Each financial year there will be an amount of Council Tax that is not paid and that amount is added to the arrears that were carried forward at the start of the financial year (less the amount collected during the year) to give a total arrears figure outstanding. At 31 March 2017 £10.0 million was outstanding in total (£3.9 million relating to the 2016-17 financial year). For comparison, at 31 March 2016 £10.5 million was outstanding in total (£3.8 million relating to the 2015-16 financial year). Between 1 April 2017 and 30 September 2017 the arrears reduced by £2.2 million.
13. The Council's collection rate for in-year collection (this does not include arrears) for 2016-17 increased to 97.9% against a target of 97.8%. The collection rate for 2016-17 was again the highest of the 12 North East Councils, well above the 97.2% national average for all local authorities in England and well above the 97.0% national average for all Unitary authorities

in England. In-year collection rates for all years from 2009-10 are shown below:

Council Tax	%
2009-10	96.6
2010-11	96.9
2011-12	97.4
2012-13	97.7
2013-14	97.5
2014-15	97.7
2015-16	97.8
2016-17	97.9

14. The in-year collection rate at 30 September 2017 for 2017-18 was 56.5%, which matched last year, but is below performance for prior years. This is due to a number of factors: An increase in the number of customers paying over 12 instalments instead of 10 affecting the profile for collection; the amount collectable is increasing year on year with the biggest increase to date in 2017-18 of £11.0 million; the volume of changes to accounts has increased (as has contentious cases); and an increase in new dwellings.
15. The in-year collection rate at 30 September 2017 was the 3rd highest of 11 of the North East Councils which have reported on performance.
16. In cash terms, £8.9 million more was collected in 2016-17 than in 2015-16. £6.1 million more was collected to 30 September 2017 compared to the same point in 2016-17.
17. The number of customers on Direct Debit payment methods at annual billing (who have something to pay) increased to 81.1% in 2017-18. For comparison, the number was 80.0% in 2016-17 and 78.0% in 2015-16. CIPFA Benchmarking data for 2016-17 annual billing shows that the Council had the highest take-up of all the contributors (the average take-up was 64.4%). The Council was also the highest in 2015-16 and the average then was 62.9%.
18. Our in-year collection rate target for 2017-18 is 97.9%.
19. During the previous four financial years the Council issued the following recovery notices:

	2013-14	2014-15	2015-16	2016-17
1st or 2nd Reminders	43,245	42,294	41,696	40,991
Final Notices	3,427	3,471	3,645	3,626
Summonses	13,137	13,617	11,346	11,026
Liability Orders	10,157	10,524	8,958	8,544

20. In the first half of 2017-18 the Council has issued:

- 22,628 1st and 2nd Reminders;

- 1,446 Final Notices;
- 6,696 Summonses; and,
- 5,157 Liability Orders.

21. Recovery action is an on-going process and follows a strict monthly timetable that is arranged in conjunction with the Magistrates Courts. A breakdown of some of the enforcement methods that are used, and the number of cases currently subjected to that type of action is as follows:

	Number of cases	Outstanding Amount £'000
Attachment of benefit	1,751	422
Attachment of earnings	2,028	1,030
Enforcement Agent (Formerly Bailiff)	4,244	2,481
Committal (see notes 1 & 2 below)	346	427
Bankruptcy/Statutory Demand (see note 2 below)	19	116
Charging Orders (see note 2 below)	21	91

Notes:

1. No Council Tax defaulters have been sent to prison so far this financial year.
 2. These cases can comprise one or multiple Liability Orders.
22. During the previous four financial years the following number of cases were subject to enforcement action:

	Number of cases 2013-14	Number of cases 2014-15	Number of cases 2015-16	Number of cases 2016-17
Attachment of benefit	3,256	3,332	3,047	3,541
Attachment of earnings	3,838	4,002	3,600	4,160
Enforcement Agent	4,612	4,542	3,759	4,112
Committal	264	240	116	153
(see notes 1 & 2 below)				
Statutory Demands	57	41	38	14
(see note 2 below)				
Bankruptcy Petitions (see note 2 below)	11	12	8	1
Bankruptcy Orders	5	7	5	0
(see note 2 below)				
Interim Charging Orders (see note 2 below)	15	9	11	5
Final Charging Orders (see note 2 below)	13	8	11	3

Notes:

1. During 2016-17 nine Council Tax defaulters were sent to prison for terms ranging between 5 and 73 days, following several court hearings. During 2015-16 two Council Tax defaulters, who continually breached Court orders for payment, were sent to prison for 12 days and 74 days respectively. During 2014-15 three Council Tax defaulters, who continually breached Court orders for payment, were sent to prison for terms ranging between 15 and 90 days, and during 2013-14 six defaulters were sent to prison for non-payment. When a Committal Order is made the debt becomes irrecoverable and is written off.
2. These cases can comprise one or multiple Liability Orders.

Non-Domestic Rates (Business Rates)

23. Non-Domestic Rates are charged on business properties in the County. There are currently 12,729 business properties in Northumberland, with a total rateable value of £223 million, and with a net collectable debit of £82.6 million for 2017-18.
24. Each financial year there will be an amount of Non-Domestic Rates that is not paid and that amount is added to the arrears that were carried forward at the start of the financial year (less the amount collected during the year) to give a total arrears figure outstanding. At 31 March 2017 £3.3 million was outstanding in total (£1.5 million relating to the 2016-17 financial year). For comparison, at 31 March 2016 £3.3 million was outstanding in total (£1.4 million relating to the 2015-16 financial year). Between 1 April 2017 and 30 September 2017 the arrears reduced by £0.2 million.
25. The Council's collection rate for in-year collection (this does not include arrears) was 98.1% in 2016-17 against a target of 98.1%. This performance matches the average performance of the 12 North East Councils. It is just below the average compared to all local authorities in England (98.2%) and just below the average of all Unitary authorities in England (98.2%). Rating can be very volatile. Values reassessed in the fourth quarter of the financial year can result in back-dated bills being issued towards the end of the financial year. This can result in difficulties in collection before the year-end and, as collection rates are calculated as at 31 March each year, any payments received after 31 March will not be included in the in-year collection rate. Collection rates for all years from 2009-10 are shown below.

Non-Domestic Rates	%
2009-10	95.5
2010-11	97.0
2011-12	97.2
2012-13	97.6

2013-14	97.3
2014-15	97.9
2015-16	98.1
2016-17	98.1

26. The in-year collection rate at 30 September 2017 for 2017-18 was 58.3%, which is slightly lower than previous years. The volatility in the collection rate is mainly due to the normal fluctuations in assessments and rateable value, and ratepayers changing from 10 monthly instalments to 12. Recovery action was also suspended while the three Spring Budget reliefs were interpreted, estimated, calculated and the Rate Relief Policy amended. Two of the reliefs have been allocated to accounts and ratepayers re-billed. The Revaluation Relief will be allocated to accounts and ratepayers re-billed shortly following County Council's approval of the scheme on 1 November 2017.
27. The in-year collection rate at 30 September 2017 was the 5th highest of 11 of the North East Councils which have reported on performance.
28. Our target in-year collection rate for 2017-18 is 98.1%.
29. During the previous four financial years the Council issued the following recovery notices:

	2013-14	2014-15	2015-16	2016-17
Reminders	3,768	3,524	3,463	3,341
Summonses	916	1,060	859	831
Liability Orders	647	663	557	525

30. In the first half of 2017-18 the Council has issued:
- 2,383 Reminders;
 - 355 Summonses; and,
 - 234 Liability Orders.
31. There are currently 167 cases at Enforcement Agent stage with an outstanding debt of £0.53 million, 18 at committal* stage totalling £0.03 million and 8 at statutory demand/bankruptcy* stage totalling £0.10 million.
- * These cases can comprise one or multiple Liability Orders.
32. During the previous four financial years the following number of cases were subject to enforcement action:

	Number of cases 2013-14	Number of cases 2014-15	Number of cases 2015-16	Number of cases 2016-17
Enforcement Agent (Formerly Bailiff)	386	376	305	250
Committal (see note 1)	9	7	11	9

Statutory Demands (see note 2)	5	9	6	4
Bankruptcy Petitions (see note 2)	0	4	0	1
Bankruptcy Orders (see note 2)	0	4	0	0

Notes:

1. No ratepayers have been sent to prison for non-payment since 2010.
2. These cases can comprise one or multiple Liability Orders.

Housing Benefit Overpayments

33. Housing benefit overpayments are payments of benefit to which there was no entitlement. Reasons for overpayment are mainly changes in financial circumstances (automatic tax credit uploads; differences between new claims and details held on system e.g. finances, capital held, family members and the detection of fraud), claimants vacating their properties with little or no notice or claimants passing away. The Council has an Overpayment Policy which details overpayment collection.
34. Council Tax benefit and Council Tax Support overpayments are collected through the Council Tax account and any non-payment is subject to the debt recovery methods described above.
35. The Council receives subsidy of up to 40% for most of its housing benefit overpayments and any additional money collected is kept by the Council. In 2016-17 overpayments of £3.227 million were identified with £1.683 million being recovered in year (52.1%). This compares with 47.7% being recovered in-year in 2015-16, 46.8% in 2014-15 and 59.3% in 2013-14. A further £1.286 million was collected in respect of overpayments identified prior to 1 April 2016.
36. A total of £2.969 million was recovered in 2016-17, compared to £2.999 million in 2015-16. Cash collected in 2016-17 amounted to £0.980 million, compared to £0.852 million in 2015-16.
37. As at 30 September 2017 a further £1.523 million overpayments have been identified, of which £0.714 million has been recovered (46.9%). A further £0.780 million has also been recovered in respect of overpayments identified prior to 1 April 2017.
38. A total of £1.494 million has been recovered so far this financial year. This compares to £1.524 million recovered in the same period in 2016-17. Cash collected to 30 September 2017 amounts to £0.405 million, compared to £0.512 million collected as at 30 September 2016.

39. There is currently £4.893 million outstanding in respect of housing benefit overpayments (£0.792 million in respect of overpayments identified in 2017-18 and £4.101 million in respect of prior years). £4.861 million is recoverable and recovery action is taking place utilising the following methods of recovery (with 30 September 2016 figures for comparison):

Recovery Method	No of cases/ invoices	30 Sept 2016 £'000	No of cases/ invoices	30 Sept 2017 £'000
On-going entitlement to benefit	1,679	1,726	1,391	1,623
Invoice stage	524	509	533	479
Reminder stage	176	239	203	243
Final stage	1,901	1,624	1,574	1,491
External debt collector	231	185	242	247
Attachment of benefit (clerical claims)	287	250	96	126
PDP DWP Referrals	-	-	473	266
Direct Earnings Attachment	304	329	325	384
CCJ obtained	1	1	1	1
CCJ cases with High Court Enforcement	1	1	1	1
Total	5,104	4,864	4,839	4,861

40. Invoices are raised for all recovery methods except where deductions are being made from on-going entitlement to benefit.
41. When it is identified that a debtor has begun to claim benefit again, and payments are not being made on an invoice, the debt is brought back into the benefit system and is recovered from on-going benefit entitlement.
42. Benchmarking performance:
- The Council had the 4th lowest level of outstanding overpayments at the end of 2016-17 compared to 10 of the North East Councils, and the second lowest ratio of Housing Benefit overpayments to Housing Benefit caseload.
 - As at 30 September 2017 the Council still had the 4th lowest level of outstanding overpayments of the 11 North East Councils, and the second lowest ratio of Housing Benefit overpayments to Housing Benefit caseload.
 - CIPFA benchmarking data for 2016-17 again shows that our performance continued to compare favourably with our comparator authorities:
 - a. The Council recovered 36.5% of outstanding overpayment debt against an average of 29.9% across the contributing Councils.

- b. The Council wrote off 1.7% of total debt outstanding against an average of 4.7% across the contributing Councils.
- In 2015-16 the Council recovered 37.1% of outstanding overpayment debt against an average of 31.2% across the contributing Councils, and wrote off 2.5% of total debt outstanding against an average of 3.4% across the contributing Councils.
43. At Corporate Services and Economic Growth Overview and Scrutiny Committee on 27 July 2017 members requested that the next update include a breakdown of the reasons for the overpayment so that trends could be identified and if practicable, particular focus could be applied to resolving problem areas. It was suggested that tenancy agreements should include a warning that tenants must inform the Revenues and Benefits Section of any changes in circumstances as soon as they occur.
44. The £3.227 million of overpayments identified in 2016-17 are broken down as follows (with 2015-16 £3.968 million for comparison):

Overpayment Reason	2015-16		2016-17	
	Council Tenants £'000	Private Tenants £'000	Council Tenants £'000	Private Tenants £'000
Claimant Error	568	2,792	523	2,301
Local Authority Error	12	102	6	51
Administrative Delay	25	132	15	75
Fraud	18	277	37	169
DWP Error	-	1	5	9
Technical Overpayments	41	-	36	-
Total	664	3,304	622	2,605

45. In 2015-16 total Housing Benefit expenditure was £87.987 million and there were 23,382 claimants as at 31 March 2016. In 2016-17 total Housing Benefit expenditure was £84.792 million and there were 22,609 claimants as at 31 March 2017.
46. Claimant Error overpayments are recoverable overpayments caused by a failure of the claimant to report a change in their circumstances prior to their next Housing Benefit payment. These overpayments can also be recovered from a landlord if the landlord had received the payment. The Council receives 40% subsidy in respect of Claimant Error overpayments and can also keep any monies recovered.
47. To encourage claimants to report changes in circumstances all Housing Benefit award notices clearly remind claimants to report any changes

- immediately, and include details of how and where to report changes. In addition a mailshot of advice leaflets is issued annually to increase awareness.
48. Local Authority Error overpayments are caused by a mistake made by the Council. These overpayments can still be recovered from the claimant if it is reasonable to expect them to have realised that they were being overpaid.
 49. Administrative Delay overpayments are recoverable overpayments caused by the Council failing to process a notified change in circumstance prior to the next and any subsequent Housing Benefit payment after the date of notification. These overpayments can also be recovered from a landlord if the landlord had received the payment.
 50. The level of Department for Work and Pensions (DWP) subsidy in respect of Local Authority Error and Administration Delay overpayments is subject to two tolerance based thresholds. Lower and higher thresholds are set based on total Housing Benefit expenditure. If the sum total of Local Authority and Administration Delay overpayments is less than the lower threshold the Council receives 100% subsidy. If the sum total is between the lower and the higher thresholds the Council receives 40% subsidy. If the sum exceeds the higher threshold no subsidy is paid.
 51. Overpayments have been less than the lower tolerance threshold for each financial year since 2009-10. For 2016-17 the lower tolerance threshold was £393,699. The total of Local Authority and Administration Delay overpayments was £147,511 therefore 100% subsidy was paid. It is therefore imperative that staff are well trained and work is correctly prioritised to ensure changes in circumstance are dealt with promptly.
 52. Fraud overpayments are caused by a claimant dishonestly misrepresenting their circumstances in order to gain Housing Benefit. To be classified as fraud the claimant must either make an admission or be found guilty by a court. These overpayments are recoverable from the claimant, the Council receives 40% subsidy from the DWP, and can keep any monies recovered.
 53. DWP Error overpayments are caused by an error by the DWP. The Council must get agreement from the DWP that they are responsible for the error and then receives 100% subsidy in return.
 54. Technical overpayments are caused where a rent liability has ended or changed. No subsidy is payable as no rent liability exists and the Housing Benefit transaction is returned in full. This applies to Council tenants only.
 55. The Council's tenancy agreement includes a clause advising tenants that they must inform the Housing Benefit Section promptly of any changes in circumstances that may affect entitlement. The Council's website is to be

updated to also include this advice, and a reminder will be included in the quarterly rent statements starting in January 2018.

56. The Council continues to perform above average on benchmarked areas and is well within DWP tolerance thresholds as described above.

Housing (Homes for Northumberland) Rent and other debt

57. As with other debt and income (see Key Issues above), the Council has a responsibility to all tenants to ensure the efficient and effective collection of rent, whilst minimising levels of debt that is written-off, to reduce the burden of unpaid debt on the ring-fenced Housing Revenue Account. In doing so, it allows services to be maintained and provides the opportunity to enhance service delivery by releasing additional funds.

58. A 4-year analysis of current and former tenant rent arrears is shown below, but because the Council's Finance and Contract Rules covering write offs didn't previously include HfN/Housing debts, former tenant rent arrears include an amount that otherwise may have been written off as irrecoverable. (2016-17 results, together with performance commentary, were reported to the Tenants' Forum on 14 June 2017).

Measure	2013-14	2014-15	2015-16	2016-17
Annual Rent Debit	£28.8m	£30.9m	£32.0m	£32.1m
Current arrears as a % of the annual rent debit	1.87%	1.86%	1.64 %	1.75 %
Current tenant rent arrears outstanding	£539,542	£575,580	£524,766	£562,864
Former arrears as a % of the annual rent debit	1.18%	1.61%	2.41%	3.03%
Former tenant rent arrears outstanding	£339,773	£499,153	£770,324	£973,374

59. The targets for rent arrears in 2016-17 were:

- Current arrears as a % of the annual rent debit – 1.64%
- Former tenant as a % of the annual rent debit - 1.90%

Note - Both amounts are year on year cumulative totals expressed as a percentage of the annual rent debit.

60. Acknowledging that the target for current tenant rent arrears was 1.64% of the total debit the year end result was 1.75%, which equates to £38,098 above target. It is notable of the impact arising from the introduction of Universal Credit and the Benefit Cap, which both played a significant part in overall performance.
61. Notwithstanding, for current arrears as a percentage of the annual rent debit, benchmarking information for 2016-17 shows that the Council is the highest

performer compared to four other regional ALMO's and housing providers, with arguably the most challenging target.

62. Whilst former tenant arrears have increased significantly since 2012, during the 2016-17 year there has been some success with £90,000 of former debt collected but regrettably an additional £203,000 of debt was accrued.

63. Whilst it is desirable to support tenants and enable tenancies to be maintained, there are occasions when as a last resort eviction must be considered. A known consequence of such action is the possibility of additional former tenant arrears and in the previous four years the following action has been taken:

Measure	2013-14	2014-15	2015-16	2016-17
Number of Notices of Seeking Possession	698	466	746	984
Number of Evictions	34	43	78	59

64. In respect of all other housing debt, 2016-17 end of year performance is shown below, together with end of year performance in 2015-16 for comparison:

Measure	Current Tenants		Former Tenants	
	31 Mar 2016	31 Mar 2017	31 Mar 2016	31 Mar 2017
Garage Arrears	£2,574	£2,260	£4,773	£7,212
Furniture Recharges	£4,186	£5,344	£120,689	£162,792
Repair Recharges	£30,446	£44,938	£669,345	£1,132,174
HB Overpayments	£6,699	£6,699	N/A	N/A
Leasehold Service Charge	£76,942	£89,432	N/A	N/A
Bankruptcy	£66,378	£68,891	£33,425	£43,875
Court Costs	£97,589	£123,496	£78,805	£108,218
Attachment of Benefit Orders	0	0	0	0

65. In seeking to recover debt over and above that undertaken on a voluntary basis the Council made thirty five debt collection referrals in 2016-17.

66. In 2016-17, an additional £341k of rechargeable repairs relating to 2008-09 was identified and recognised within the total tenant debt. This amount could not be written off within the current rules, but a 100% bad debt provision was made against this in year.

67. The targets for rent arrears in 2017-18 are:

- Current arrears as a % of the annual rent debit – 2.00%
- Former tenant as a % of the annual rent debit - 1.90%

Note - Both amounts are year on year cumulative totals expressed as a percentage of the annual rent debit.

68. Quarter 2 performance to 30 September 2017 is shown below, together with Quarter 2 performance in 2016-17 for comparison:

Measure	Current Tenants		Former Tenants	
	30 Sep 2016	30 Sep 2017	30 Sep 2016	30 Sep 2017
Arrears as a % of the debit	2.68%	2.64%	2.65%	3.49%
Arrears Outstanding	£858,566	£826,438	£847,456	£1,091,560
Sheltered Arrears	£5,556	£3,298	£5,724	£6,180
Garage Arrears	£8,262	£8,582	£6,904	£7,763
Furniture Recharges	£3,967	£3,390	£138,077	£180,126
Repair Recharges	£48,349	£44,737	£1,074,602	£1,194,270
Housing Benefit Overpayments	£6,698	£6,698	N/A	N/A

Measure	Current Tenants		Former Tenants	
	30 Sep 2016	30 Sep 2017	30 Sep 2016	30 Sep 2017
Leasehold Service Charge	£89,432	£85,471	N/A	N/A
Bankruptcy	£71,948	£62,503	£36,154	£50,263
Court Costs	£115,680	£139,615	£91,785	£126,454
Notices of Seeking Possession	210	427	N/A	N/A
Evictions	10	39	N/A	N/A
Attachment of Earnings Orders	0	0	0	0
Debt Collection Referrals	0	0	6	6
Attachment of Benefit Orders	0	0	0	0

69. For current tenant arrears performance, the trend analysis from this year to last suggests that the Council will finish the year under target despite the impact arising from the introduction of Universal Credit (UC) and the Benefit Cap.
70. Universal Credit was introduced in Northumberland in February 2016 and the first tenant claimed in May 2016. To date 99 tenants are in receipt of the benefit. The waiting days and delay in payment for all new claimants has

resulted in collective arrears of £49,000, which is a reduction of £6,000 from Quarter 1.

- The 99 tenants claiming UC have, on average, significantly higher arrears (£496.00 each) compared to the 3,643 tenants not claiming UC (£211.62 each).
- Further analysis shows that tenants claiming UC appear committed to paying their rent charge but are unable to pay off the arrears accrued during the waiting period in full. To help those tenants claiming UC, payment plans are offered in an attempt to mitigate the accumulation of arrears.
- In addition to UC, a further 52 tenants are affected by the Benefit Cap with arrears totalling £16,811.99. The average amount capped is £31.85 per week. The Council's Welfare Benefits Advisor is working closely with these tenants and, where possible, is assisting with their claims for Discretionary Housing Payment.
- Officers are working pro-actively with all tenants in arrears. They visit tenants in their homes to offer all necessary support and refer to partner organisations wherever possible, for example, to CAB for wider debt advice, and to the SILX Youth Project for supporting tenants aged under 25.

71. For evictions and Notices of Seeking Possession: This year the Council has carried out 29 more evictions compared to the same time last year, and served 217 more Notices of Seeking Possession. The Notices of Seeking Possession have proved to be an effective incentive to tenants as, once served, tenants are receptive to paying rent plus a proportion of the arrears rather than risk losing their tenancy.
72. Acknowledging the need to maximise rent collection, whilst reducing bad debt, work is being carried out to review all outstanding accounts, profiling of debt and streamlining of enforcement and administrative processes. A comprehensive Action Plan, arising from an audit of "Housing Income Collection Arrangements" has been developed and will be implemented before 31 March 2018.
73. The current work on the development of a new housing management IT system, Northgate NPS, scheduled to go live in April 2018, will also seek to enhance the management and collection of both housing rent and other housing debt owed to the Council.
74. There were no customer complaints or compliments in 2016-17 in relation to arrears and recovery matters, and none so far in 2017-18.

75. Benchmarking data for 2017-18 is not yet available.

Other Housing Revenue Account Debt

76. In addition to the Homes for Northumberland debt above the following is a breakdown of other housing debt to the Housing Revenue Account, again with performance from 2015-16 for comparison:

Measure	Current Tenants		Former Tenants	
	31 Mar 2016	31 Mar 2017	31 Mar 2016	31 Mar 2017
Lamb House	£7,348	£0	£81,296	£90,256
Valley Care	£8,787	£10,107	£4,222	£4,465

77. Quarter 2 performance to 30 September 2017 is shown below, together with Quarter 2 performance in 2016-17 for comparison:

Measure	Current Tenants		Former Tenants	
	30 Sep 2016	30 Sep 2017	30 Sep 2016	30 Sep 2017
Lamb House	£2,926	£7,151	£86,960	£90,617
Valley Care	£12,440	£16,539	£3,899	£5,146

Recent and current developments

78. Since the last report to the Corporate Services and Economic Growth Overview and Scrutiny Committee in July 2017 work has been on-going to improve the efficiency and effectiveness of the billing, collection and recovery of all monies due to the Council.

79. Implementation of the Oracle iReceivables system (customer self-service for sundry debts), which enables customers to view and pay their invoices online, is live. It has been made available to business customers first although take-up has been slow. The receivables system support has recently returned in-house and the system will move to a Cloud based system in 2018. Further developments, including paperless direct debit, will be made once the move is completed.

80. The Council has engaged an additional firm of Debt Collection Agents for Sundry Debt and Housing Benefit Overpayment recovery. A Service Level Agreement has been agreed and a start-up meeting has been held. The first referrals were sent in October.

81. The Ministry of Justice conducted a One Year Review of the 2014 Enforcement Reforms regarding Enforcement Agents with the intention that a Three Year Review would follow. The One Year Review was not published and the Three Year Review was delayed due to the General Election. It is expected that the reviews will be published in due course. One of the

Council's appointed Enforcement Agents, Rossendales, have however reported the following:

- Third Sector organisations have welcomed the greater transparency of the new fee structure and their publicity on prescribed documents;
 - Payments at the earliest stage of the enforcement agent process average over 40% of all collections without the need for enforcement agent to visit defaulters which typically adds a fee of £235 to the debt;
 - When enforcement agents have charged a fee for visiting defaulters, any payments made will be split between the outstanding debt and the enforcement agent's fees;
 - When enforcement agents are required to visit defaulters they will combine all matters for a defaulter and only charge a single fee; and
 - Although there is no definition of vulnerability in the new regulations, there are potential financial sanctions for enforcement agents where they take inadequate measures to identify vulnerable defaulters.
82. Quarterly joint meetings are held with the Council's appointed Enforcement Agents and Northumbrian Citizens Advice Bureau. CAB continue to report that they have no major issues in relation to the work being carried out by the Enforcement Agents.
83. The Department for Communities and Local Government issued a consultation document in October 2015 entitled 'Improving efficiency of council tax collection' which sought views on legislative or data barriers to efficient council tax collection, including allowing HMRC to share employment information with Councils. DCLG are still analysing feedback and no date has been given for publication of the results. Data sharing with HMRC would improve the efficiency and effectiveness of the council tax enforcement process, a greater number of Attachment of Earnings Orders will be issued to employers, and collection rates will improve.
84. The Benefit Overpayment Team is continuing with its initiative to improve collection rates and raise the public profile and awareness of benefit overpayment recovery. All overpayment cases are being reviewed with consideration being given to pursuing County Court action and securing Judgements, where appropriate, against those debtors who refuse to engage in repayment negotiations. As part of the case reviews, however, it has become apparent that County Court Judgements are likely to be unenforceable in the vast majority of cases because of debtors' financial circumstances and alternative collection and recovery options have to be explored. Two County Court Judgments have been obtained so far and High Court enforcement action has been taken against one debtor. However, that action failed because of vulnerability issues, identified by enforcement agents

under the provisions of the Taking Control of Goods Regulations, which could not have been foreseen beforehand.

85. The Benefit Overpayment Team continue to target overpayments created in-year, particularly those created as part of the new RTI* initiative. This is to maximise recovery at the earliest possible opportunity and avoid it becoming 'old debt' which is harder to recover. The RTI initiative has resulted in an increased workload, as well as improved and timelier recovery.

*RTI is Real Time Information which is downloaded directly from HMRC and includes information on occupational pensions and/or earnings. This initiative has increased the workload as overpayments are now identified where the claimant has failed to inform the Council.

86. The Benefit Overpayment Team have gone live with the DWP's Payment Deductions Project (PDP). This is a new electronic service to refer housing benefit overpayment debts to the DWP for deductions from benefit and receive payment schedules back.

87. The Council's website is to be updated to advise Council tenants that they must inform the Housing Benefit Section promptly of any changes in circumstances that may affect their entitlement. A reminder will also be included in the quarterly rent statements starting in January 2018.

88. The Corporate Debt Recovery Policy will be redrafted to incorporate Rent Recovery and make all practices consistent. In the meantime the Corporate Debt Recovery team are sharing best practice with the Homes for Northumberland recovery team. Further alignment to the Council's wider debt recovery processes and systems will also help to improve rent arrears recovery rate as well as improving the quality of data sharing between the various services.

89. The Council's Finance and Contract Rules covering write offs were updated on 1 November 2017 to allow Homes for Northumberland to write off irrecoverable housing debts, and for Adult Social Care to write off charges deemed irrecoverable prior to an invoice being raised. The section was also revised following changes to staffing structures, and to give flexibility for future staffing restructures.

90. An annual campaign has been established to encourage new tenants and existing cash payers to pay their rent by Direct Debit. The aim is to reduce the level of current tenant debt increasing over the year.

91. Acknowledging the need to maximise rent collection, whilst reducing bad debt, work is being carried out to review all outstanding accounts, profiling of debt and streamlining of enforcement and administrative processes. A comprehensive Action Plan, arising from an audit of "Housing Income

Collection Arrangements” has been developed and will be implemented before 31 March 2018.

92. The new housing management IT system, Northgate NPS, is scheduled to go live in April 2018 and will also seek to enhance the management and collection of both housing rent and other housing debt owed to the Council.

Implications

Policy	Debts are followed up in line with the agreed Council policies and as set out in the Council's Finance and Contract rules.
Finance and value for money	By improving the robustness of debt recovery, the Council will improve its cash flow, and reduce the risk of a need to write off outstanding amounts.
Legal	None
Procurement	None
Human Resources	None
Property	None
Equalities	All debt recovery policies and procedures have been subject to an equality impact assessment.
Risk Assessment	Risks relating to the non-recovery of debt are picked up within the relevant area's service plan. In addition, the risk assessments carried out in relation to the budget process highlight such areas and identify the appropriate controls. Budget risk assessments are carried out on an annual basis.
Crime & Disorder	Section 17 of the Crime and Disorder Act 1998 has been considered, and no implications have been identified.
Customer Considerations	Applying a more holistic approach and methodology to debt collection will ensure that all debtors and taxpayers are treated in a consistent manner. Timely recovery of debts ensures a more effective use of public money.
Consultation	None
Carbon reduction	None
Wards	All

Consultation

Not applicable

Background Papers:

Corporate Debt Recovery Policy

Tenants' Forum 14 June 2017: Housing Services (HFN) End of Year Performance Report 2016-17

Corporate Services and Economic Growth Overview and Scrutiny Committee 27 July 2017: Performance Outturn 2016-17

Report sign off

Finance Officer	AS
Monitoring Officer/Legal	LH
Human Resources	N/A
Procurement	N/A
I.T.	N/A
Chief Executive	DL
Portfolio Holder(s)	NO

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