



Northumberland

County Council

Corporate Services and Economic Growth Overview and Scrutiny Committee

17 December 2018

Debt Recovery Update

Report of Barry Scarr, Executive Director of Finance & Section 151 Officer / Deputy Chief Executive

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/Support 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
- Housing Income Management Policy

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:

	2014-15	2015-16	2016-17	2017-18
Sundry debt	£641,807.10	£66,451.44	£86,859.14	£104,856.31
Council Tax	£918,556.83	£511,941.04	£847,797.21	£869,775.83
Business Rates	£879,125.21	£626,310.01	£656,647.24	£611,495.46
Benefit Overpayments	£283,183.72	£238,607.81	£163,040.67	£174,067.31
Homes for				
Northumberland	£0.00	£0.00	£0.00	£208,310.92
Adult Social Care	£41,220.24	£967.65	£11,462.85	£43,977.11
Total	£2,763,893.10	£1,444,277.95	£1,765,807.11	£2,012,482.94

3. In accordance with the Council's Finance and Contract Rules, write offs are reported annually to Cabinet.
4. The Chartered Institute of Public Finance and Accountancy (CIPFA) benchmarking club data for 2017-18 data showed that:
 - The amount of council tax written off as a percentage of Net Debit was 0.49% against an average of 0.81% across the contributing Councils in the benchmarking club; and,
 - The amount of business rates written off as a percentage of Net Debit was 0.75% against a club average of 1.05%.

- The amount of benefit overpayments written off as a percentage of total debt outstanding was 2.0% against a club average of 4.5%.
 - The amount of sundry debt written off is well below the club averages for the different categories of debt.
5. At 30 September 2018 the following amounts have been written off during the 2018-19 financial year in accordance with the Council's write-off policy:

	2018-19
Sundry debt	£68,359.89
Council Tax	£85,340.42
Non-Domestic Rates	£130,736.33
Benefit Overpayments	£71,634.07
Homes for Northumberland	£112,238.62
Adult Social Care	£ 14,226.64
Total	£482,535.97

Sundry Debt

6. At 30 September 2018 the Council was owed £21.617 million by its sundry debtors, £12.790 million of which was past due. The debt, analysed by its maturity, is shown below (with 30 September 2017 figures shown for comparison):

Age of debt	30 September 2017		30 September 2018	
	Number of Invoices	Balance Due £'000	Number of Invoices	Balance Due £'000
Up to 3 months past due (see note 1)	635	1,465	817	*6,427
3 to 6 months past due	245	4,193	313	1,313
6 to 9 months past due	162	296	169	320
9 to 12 months past due (see note 2)	131	90	145	**3,339
1 to 5 years past due	755	916	811	1,151
Over 5 years past due	138	212	126	240
Debt past due date	2,066	7,172	2,381	12,790
Debt within terms (see note 3)	3,595	3,016	3,941	***8,827
Total debt	5,661	10,188	6,322	21,617

Notes:

1. *Includes 15 invoices totalling £5.474 million which are either now paid, awaiting payment allocation, or being pursued.
2. **Includes 1 invoice for £3.100 million which is now paid.
3. ***Includes 9 invoices totalling £4.407 million issued just prior to 30 September 2018.

7. CIPFA benchmarking data for 2017-18 shows that:

- The Council cleared a weighted average of 95% of invoices raised in a selection of 4 months against a club average of 83%. For comparison, in 2016-17 the Council cleared 95% of invoices within 3 months against a club average of 88%, and in 2015-16 the Council cleared 98% of invoices within 3 months against a club average of 90%.
- The Council cleared a weighted average of 97% of debt raised in a selection of 4 months against a club average of 88%. For comparison, in 2016-17 the Council cleared 97% of debt raised in 3 months against a club average of 91%, and in 2015-16 the Council cleared 100% of debt raised within 3 months against a club average of 95%.

8. Six customers have past due balances of over £0.1 million at 30 September 2018 (there were nine as at 31 March 2018, five as at 30 September 2017 and three as at 31 March 2017) representing approximately 72% of the total debt past due as follows:

Customer	31 March 2018		30 September 2018	
	Number of Invoices	Value Past Due £'000	Number of Invoices	Value Past Due £'000
NHS Customer 2 (see note 1)	-	-	13	2,279
NHS Customer 4 (see note 2)	11	417	13	164
NHS Customer 5	1	160	-	-
Customer 1 (see note 3)	12	120	12	120
Company 3 (see note 4)	-	-	3	3,250
Company 7 (see note 5)	1	3,100	1	3,100
Company 9	2	121	-	-
Company 10 (see note 6)	-	-	3	284
Council 2	3	227	-	-
Council 4	5	113	-	-
Council 5	4	138	-	-
Housing 2	1	117	-	-
Total	40	4,513	45	9,197

Notes:

1. 5 invoices are now paid and the remaining 8 invoices totalling £1,887,693.08 are either awaiting payments to be allocated, or are being pursued.
2. 4 invoices are now paid and the remaining 9 invoices totalling £17,599.19 are being pursued.

3. Part payment received from proceeds of sale of property, a significant shortfall was anticipated. Options to recover balance continue to be assessed.
 4. Invoices are now paid.
 5. Invoice is now paid.
 6. Invoices are now paid.
9. Analysis of the level of overdue debt as at 30 September 2018 by the service area raising the invoices is shown below (again with 30 September 2017 figures for comparison):

Service Area	30 September 2017		31 March 2018	
	Number of Invoices	Value Past Due £'000	Number of Invoices	Value Past Due £'000
Adult Services (see note 1)	1,005	1,831	1,217	*3,789
Children's Social Care	92	457	156	712
Corporate Resources (Finance) (see note 2)	236	350	255	**3,824
Corporate Resources (IT)	5	56	7	9
Corporate Resources (Legal and Health & Safety)	-	-	6	7
Culture, Heritage & Libraries	-	-	19	4
Fire & Rescue	13	11	14	16
Homes for Northumberland	11	17	8	13
Housing Services	4	1	2	1
Local Services (including Projects)	359	530	415	408
Property & Estate Management (see note 3)	43	3,599	39	***3,118
Pension Fund	5	30	9	107
Public Health/Protection	181	178	186	169
Regeneration & Dev Man	13	68	25	550
Schools	99	44	23	63
Total	2,066	7,172	2,381	12,790

Notes:

1. *Includes invoices totalling £2.443 million which are now either paid, awaiting payments to be allocated, or are being pursued.
2. **Includes invoices totalling £3.195 million which are now paid
3. ***Includes 1 invoice for £3.100 million which is now paid.

Council Tax

10. Council Tax is charged on domestic dwellings in the County. There are currently 153,365 domestic dwellings in Northumberland, with a net collectable debit of £191.1 million for 2018-19.

11. 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 2018 £9.4 million was outstanding in total (£3.8 million relating to the 2017-18 financial year). For comparison, at 31 March 2017 £10.0 million was outstanding in total (£3.9 million relating to the 2016-17 financial year). Between 1 April 2018 and 30 September 2018 the arrears reduced by £2.1 million.
12. The Council's collection rate for in-year collection (this does not include arrears) for 2017-18 increased to 98.0% against a target of 97.9%. The collection rate for 2017-18 was again the highest of the 12 North East Councils, well above the 97.1% national average for all local authorities in England and well above the 96.9% national average for all Unitary authorities in England. CIPFA Benchmarking data showed that the average in-year collection rate across all contributors was 96.8%. 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
2017-18	98.0

13. The in-year collection rate at 30 September 2018 for 2018-19 was 56.4%, which 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 2018-19 of £11.1 million; the volume of changes to accounts has increased (as has contentious cases); and an increase in new dwellings.
14. The in-year collection rate at 30 September 2018 was the 2nd highest of 11 of the North East Councils which have reported on performance.
15. Our in-year collection rate target for 2018-19 is 98.0%.
16. In cash terms, £6.1 million more was collected to 30 September 2018 compared to the same point in 2017-18.

17. The number of customers paying by Direct Debit at annual billing (who have something to pay) increased to 82.0% for 2018-19. For comparison, it was 81.1% in 2017-18 and 80.0% in 2016-17. CIPFA Benchmarking data for 2018-19 annual billing showed that the Council had the highest take-up of all the contributors (the average take-up was 64.8%). The Council was also the highest at 2017-18 annual billing and the average then was 63.1%.

18. During the previous four financial years the Council issued the following recovery notices:

	2014-15	2015-16	2016-17	2017-18
1st or 2nd Reminders	42,294	41,696	40,991	40,401
Final Notices	3,471	3,645	3,626	3,700
Summonses	13,617	11,346	11,026	11,570
Liability Orders	10,524	8,958	8,544	8,784

19. In the first half of 2018-19 the Council has issued:

- 22,365 1st and 2nd Reminders;
- 1,623 Final Notices;
- 5,859 Summonses; and,
- 4,832 Liability Orders.

20. 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	1,832	475
Attachment of earnings	1,750	966
Enforcement Agent (Formerly Bailiff)	4,077	2,471
Committal (see notes 1 & 2 below)	258	282
Bankruptcy/Statutory Demand (see note 2 below)	11	44
Charging Orders (see note 2 below)	21	110

Notes:

1. No Council Tax defaulters were sent to prison in the first half of 2018-19.
2. These cases can comprise one or multiple Liability Orders.

21. During the previous four financial years the following number of cases were subject to enforcement action:

	Number of cases 2014-15	Number of cases 2015-16	Number of cases 2016-17	Number of cases 2017-18
Attachment of benefit	3,332	3,047	3,541	3,647
Attachment of earnings	4,002	3,600	4,160	4,133
Enforcement Agent Committal	4,542 240	3,759 116	4,112 153	5,066 46
(see notes 1 & 2 below)				
Statutory Demands (see note 2 below)	41	38	14	12
Bankruptcy Petitions (see note 2 below)	12	8	1	4
Bankruptcy Orders (see note 2 below)	7	5	0	4
Interim Charging Orders (see note 2 below)	9	11	5	15
Final Charging Orders (see note 2 below)	8	11	3	16

Notes:

1. During 2017-18 no Council Tax defaulters were sent to prison. 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 and 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. 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)

22. Non-Domestic Rates are charged on business properties in the County. There are currently 13,067 business properties in Northumberland, with a total rateable value of £225 million, and with a net collectable debit of £83.0 million for 2018-19.

23. 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 2018 £3.3 million was outstanding in total (£1.5 million relating to the 2017-18 financial year). For comparison, at 31 March 2017 £3.3 million was outstanding in total (£1.5 million relating to the 2016-17 financial year). Between 1 April 2018 and 30 September 2018 the arrears reduced by £0.3 million.
24. The Council's collection rate for in-year collection (this does not include arrears) was 98.1% in 2017-18 against a target of 98.1%. This performance is below the average performance of the 12 North East Councils. It is below the average compared to all local authorities in England (98.4%) and just below the average of all Unitary authorities in England (98.2%). CIPFA Benchmarking data showed that the average in-year collection rate across all contributors was 97.9%. Rating can be very volatile and 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
2017-18	98.1

25. The in-year collection rate at 30 September 2018 for 2018-19 was 58.7%, which is higher than the previous two 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.
26. The in-year collection rate at 30 September 2018 was the 4th highest of 11 of the North East Councils which have reported on performance.
27. Our target in-year collection rate for 2018-19 is 98.1%.

28. The number of businesses paying by Direct Debit at annual billing (who have something to pay) increased to 71.5% for 2018-19. For comparison, it was 71.2% in 2017-18 and 69.0% in 2016-17. CIPFA Benchmarking data showed that the Council had the highest take-up of all the contributors for 2018-19 annual billing (the average take-up was 41.7%). The Council was also the highest at 2017-18 annual billing and the average then was 42.5%.

29. During the previous four financial years the Council issued the following recovery notices:

	2014-15	2015-16	2016-17	2017-18
Reminders	3,524	3,463	3,341	3,539
Summonses	1,060	859	831	701
Liability Orders	663	557	525	401

30. In the first half of 2018-19 the Council has issued:

- 1,839 Reminders;
- 300 Summonses; and,
- 199 Liability Orders.

31. There are currently 154 cases at Enforcement Agent stage with an outstanding debt of £0.53 million, 12 at committal* stage totalling £0.02 million and 5 at statutory demand/bankruptcy* stage totalling £0.12 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 2014-15	Number of cases 2015-16	Number of cases 2016-17	Number of cases 2017-18
Enforcement Agent (Formerly Bailiff)	376	305	250	277
Committal (see note 1)	7	11	9	6
Statutory Demands (see note 2)	9	6	4	11
Bankruptcy Petitions (see note 2)	4	0	1	5
Bankruptcy Orders (see note 2)	4	0	0	3

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 2017-18 overpayments of £3.320 million were identified with £1.771 million recovered in year (53.3%). This compares with 52.1% being recovered in-year in 2016-17, 47.7% in 2015-16 and 46.8% in 2014-15. A further £1.258 million was collected in respect of overpayments identified prior to 1 April 2017.
36. A total of £3.029 million was recovered in 2017-18 compared to £2.969 million in 2016-17 and £2.999 million in 2015-16. Cash collected in 2017-18 amounted to £0.904 million compared to £0.980 million in 2016-17 and £0.852 million in 2015-16.
37. As at 30 September 2018 a further £1.359 million overpayments have been identified, of which £0.640 million has been recovered (47.1%). A further £0.746 million has also been recovered in respect of overpayments identified prior to 1 April 2018.
38. A total of £1.385 million has been recovered so far this financial year. This compares to £1.494 million recovered in the same period in 2017-18. Cash collected to 30 September 2018 amounts to £0.470 million, compared to £0.405 million collected as at 30 September 2017.
39. There is currently £4.995 million outstanding in respect of housing benefit overpayments (£0.714 million in respect of overpayments identified in 2018-19 and £4.281 million in respect of prior years). £4.956 million is recoverable and recovery action is taking place utilising the following methods of recovery (with 30 September 2017 figures for comparison):

Recovery Method	No of cases/ invoices	30 Sep 2017 £'000	No of cases/ invoices	30 Sep 2018 £'000
On-going entitlement to benefit	1,391	1,623	1446	1,701
Invoice stage	533	479	511	392
Reminder stage	203	243	179	254
Final stage	1574	1,491	868	950
External debt collector	242	247	908	837
Attachment of benefit (clerical claims)	96	126	42	100
PDP DWP Referrals	473	265	484	291
Direct Earnings Attachment	325	384	410	430
CCJ obtained	1	1	0	0
CCJ cases with High Court Enforcement	1	1	2	1
Total	4,839	4,860	4,850	4,956

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 again had the 4th lowest level of outstanding overpayments at the end of 2017-18 compared to 10 of the North East Councils, and again the second lowest ratio of Housing Benefit overpayments to Housing Benefit caseload.
 - As at 30 September 2018 the Council still had the 4th lowest level of outstanding overpayments compared to 10 of the North East Councils, and the second lowest ratio of Housing Benefit overpayments to Housing Benefit caseload.
 - CIPFA benchmarking data for 2017-18 shows that our performance continues to compare favourably with our comparator authorities:
 - a. The Council recovered 36.6% of outstanding overpayment debt against an average of 30.2% across the contributing Councils.
 - b. The Council wrote off 2.0% of total debt outstanding against an average of 4.5% across the contributing Councils.
 - In 2016-17 the Council recovered 36.5% of outstanding overpayment debt against an average of 30.5% across the contributing Councils, and wrote off 1.7% of total debt outstanding against an average of 3.9% across the contributing Councils.
43. The £3.320 million of overpayments identified in 2017-18 are broken down as follows (with 2016-17 data for comparison):

Overpayment Reason	2016-17		2017-18	
	Council Tenants	Private Tenants	Council Tenants	Private Tenants
	£'000	£'000	£'000	£'000
Claimant Error	523	2,301	579	2,493
Local Authority Error	6	51	7	35
Administrative Delay	15	75	14	65
Fraud	37	169	39	47
DWP Error	5	9	3	5
Technical Overpayments	36	-	33	-
Total	622	2,605	675	2,645

44. In 2017-18 total Housing Benefit expenditure was £82,068 million and there were 21,895 claimants as at 31 March 2018. In 2016-17 total Housing Benefit expenditure was £84.792 million and there were 22,609 claimants as at 31 March 2017.

Housing (Homes for Northumberland) Rent and other debt

45. 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.
46. 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 include HfN/Housing debts until 1 November 2017, former tenant rent arrears include an amount that otherwise would have been written off as irrecoverable. Work is now underway to write off irrecoverable debt. Performance was reported to the Tenant's Forum on 24 May 2018).

Measure	2014-15	2015-16	2016-17	2017-18
Annual Rent Debit	£30.9m	£32.0m	£32.1m	£31.2m
Current arrears as a % of the annual rent debit	1.86%	1.64 %	1.75 %	1.51 %
Current tenant rent arrears outstanding	£575,580	£524,766	£562,864	£471,631
Former arrears as a % of the annual rent debit	1.61%	2.41%	3.03%	3.76%
Former tenant rent arrears outstanding	£499,153	£770,324	£973,374	£1,174,006

47. The targets for rent arrears in 2017-18 were:

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

48. The target for current tenant rent arrears was exceeded and equates to £167,973 under target. This is a notable improvement in performance, with £98.49% of rent due collected, despite the impact arising from the introduction of Universal Credit (UC) and the Benefit Cap.
49. Benchmarking information for 2017-18 shows that, for current arrears as a percentage of the annual rent debit, the Council is the highest performer compared to four other regional ALMO's and housing providers, with arguably the most challenging target.
50. Whilst former tenant arrears have increased significantly since 2012, during the 2017-18 year there has again been some success with £88,300 of former debt collected, but regrettably an additional £273,000 of debt accrued.
51. Whilst it is a priority to support tenants as much as possible to enable their tenancies to be maintained, as an absolute 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	2014-15	2015-16	2016-17	2017-18
Number of Notices of Seeking Possession	466	746	984	871
Number of Evictions	43	78	59	72

52. In respect of all other housing debt, 2017-18 end of year performance is shown below, together with end of year performance in 2016-17 for comparison:

Measure	Current Tenants		Former Tenants	
	31 Mar 2017	31 Mar 2018	31 Mar 2017	31 Mar 2018
Garage Arrears	£2,260	£2,664	£7,212	£8,100
Furniture Recharges	£5,344	£3,465	£162,792	£177,880
Repair Recharges	£44,938	£46,251	£1,132,174	£1,161,106
HB Overpayments	£6,699	£6,669	N/A	N/A
Leasehold Service Charge	£89,432	£69,663	N/A	N/A
Bankruptcy	£68,891	£4,449	£43,875	£1,317
Court Costs	£123,496	£142,205	£108,218	£146,179
Attachment of Benefit Orders	0	0	0	0

53. In seeking to recover debt over and above that undertaken on a voluntary basis the Council made forty one debt collection referrals in 2017-18. This compares with thirty five in 2016-17

54. The targets for rent arrears in 2018-19 are:

- Current arrears as a % of the annual rent debit – 2.00% (to allow for the introduction of the full service of Universal Credit)
- 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.

55. Quarter 2 performance to 30 September 2018 is shown below, together with Quarter 2 performance in 2017-18 for comparison:

Measure	Current Tenants		Former Tenants	
	30 Sep 2017	30 Sep 2018	30 Sep 2017	30 Sep 2018
Arrears as a % of the debit	2.64%	2.66%	3.49%	3.85%
Arrears Outstanding	£826,438	£816,107	£1,091,560	£1,187,903
Sheltered Arrears	£3,298	£7,909	£6,180	£6,384
Garage Arrears	£8,582	£9,881	£7,763	£8,363
Furniture Recharges	£3,390	£2,852	£180,126	£170,011
Repair Recharges	£44,737	£47,984	£1,194,270	£1,185,255
Housing Benefit Overpayments	£6,698	£6,698	N/A	N/A
Leasehold Service Charge	£85,471	£77,205	N/A	N/A
Bankruptcy	£62,503	£7,665	£50,263	£1,197
Court Costs	£139,615	£137,006	£126,454	£153,909
Notices of Seeking Possession	210	369	N/A	N/A
Evictions	10	23	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

56. 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. As at 30 September 2018 current arrears were £10,331 less than at the same period in September 2017 however the percentage is showing higher due to a £200,000 reduction in the overall debit.

57. The Universal Credit full service is due to be rolled out in Northumberland during November and December 2018. 105 tenants have been in receipt of the benefit since May 2016.
- Tenants claiming UC have, on average, significantly higher arrears (£379.23 each) compared to the 2,724 tenants in arrears not claiming UC (£173.13 each).
 - 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.
 - It is anticipated that the impact on current arrears will be less severe as the waiting time for claims has reduced to around 5 weeks.
58. In addition to UC, a further 35 tenants are affected by the Benefit Cap with arrears totalling £10,657.58. The average amount capped is £28.00 per week. This compares with 52 tenants as at 30 September 2017 with arrears totalling £16,811.99, £31.85 average per week. The Council's Welfare Benefits Advisor continues to work closely with these tenants and, where possible, is assisting with their claims for Discretionary Housing Payment.
59. Officers continue to work pro-actively with all tenants in arrears. They visit tenants in their homes and work with them by offering the appropriate and vital support from partner organisations, for example, Northumbrian Citizens Advice Bureau for wider debt advice, Voices Northumberland, Learning Hives, Age UK and projects, for example, SILX Youth Project for people aged under 25.
60. For evictions and Notices of Seeking Possession: To date the Council has carried out 16 less evictions compared to the same time last year, and served 58 less Notices of Seeking Possession. The Notices of Seeking Possession are an effective incentive to tenants and are the first step in instigating the court process. The majority of tenants respond positively at this stage and set up payment agreements and go on to successfully sustain their rent payments long term. This, in turn, reduces the need for applications for court orders and reduces court costs.
61. Acknowledging the need to maximise rent collection, whilst reducing bad debt, work continues to review all outstanding accounts, profiling of debt and streamlining of enforcement and administrative processes. £112,238.62 of former debt has been written off in line with the Corporate Debt Recovery Policy.
62. The new housing management IT system, Northgate NPS, went live on 18 October 2018. The system will enhance the management and collection of both housing rent and other housing debt owed to the Council.

63. Benchmarking data for 2018-19 is not yet available.

Other Housing Revenue Account Debt

64. 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 2016-17 for comparison:

Measure	Current Tenants		Former Tenants	
	31 Mar 2017	31 Mar 2018	31 Mar 2017	31 Mar 2018
Lamb House	£0	£7,239	£90,256	£104,174
Valley Care	£10,107	£7,400	£4,465	£4,934

65. 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 2017	30 Sep 2018	30 Sep 2017	30 Sep 2018
Lamb House	£7,151	£8,563	£90,617	£117,851
Valley Care	£16,539	£3,618	£3,899	£4,737

Recent and current developments

66. Since the last report to the Corporate Services and Economic Growth Overview and Scrutiny Committee in July 2018 work has been on-going to improve the efficiency and effectiveness of the billing, collection and recovery of all monies due to the Council.

67. 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 returned in-house and the system is currently being moved to a Cloud based system. Due to the transition from one system to another there are a number of receipts not yet allocated to invoices. (see paragraphs 6, 8 and 9 above). Further developments, including paperless direct debit, will be made when the new system is implemented.

68. A recent High Court case found that a Welsh Council Tax debtor had been unlawfully jailed for non-payment of Council Tax as a result of the Magistrates' failures in the decision making process. As a result, all Council Tax committal cases and procedures have been reviewed with the local Courts.

69. 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 until April 2018 and the Three Year Review was delayed due to the General Election. The One Year Review did not contain any proposals or recommendations to change the 2014 legislation. The Ministry of Justice has now published the 'Review of the 2014 enforcement agent reforms introduced by the Tribunals, Courts and Enforcement Act 2007 - Call for Evidence' which will inform the Three Year Review. One of the Council's appointed Enforcement Agents reported the following:
- Third Sector organisations have welcomed the greater transparency of the 2014 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 2014 regulations, there are potential financial sanctions for enforcement agents where they take inadequate measures to identify vulnerable defaulters. Guidelines around vulnerability are set out in the Ministry of Justice document *Taking Control of Goods: National Standards* published in April 2014.
70. 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.

71. The Department for Communities and Local Government (now Ministry of Housing, 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. MHCLG are still analysing feedback and no date has been given for publication of the results. In the meantime The Digital Economy Act 2017 makes provision for data sharing for the purposes of recovering public sector debt subject to strict controls and safeguards. The Recovery Manager has met with The Cabinet Office and the five Tyne & Wear Councils with a view to leading on a pilot scheme to share data with HMRC. 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.
72. 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 both debtors. However, that action failed on one case 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. The other case is for £869.66 and is being recovered by High Court Bailiffs.
73. The Benefit Overpayment Team continue to target overpayments created in-year, particularly those created as part of the 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 improved and timelier recovery.
- *RTI is Real Time Information which is downloaded directly from HMRC and includes information on occupational pensions and/or earnings.
74. The Benefit Overpayment Team are 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.

75. A new DWP project came into force on 12 April 2018. The Council can request information held by HMRC, i.e. up to date addresses, employment details and self-employment figures. This is proving to be invaluable in some of the harder to recover cases where debtors refuse to engage with the Council.
76. The Council's website advises Council tenants that they must inform the Housing Benefit Section promptly of any changes in circumstances that may affect their entitlement. A reminder is also included in the quarterly rent statements issued to tenants.
77. The Corporate Debt Recovery Policy has been updated to include the Housing Income Management Policy and make all practices consistent. The Corporate Debt Recovery team share 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.
78. 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.
79. 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.
80. Acknowledging the need to maximise rent collection, whilst reducing bad debt, work continues to review all outstanding accounts, profiling of debt and streamlining of enforcement and administrative processes.
81. The new housing management IT system, Northgate NPS, went live on 18 October 2018. The system will 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.
(Impact attached)	Assessment
Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
N/A <input type="checkbox"/>	
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.
Carbon reduction	None
Wards	All

Background Papers:

- Corporate Debt Recovery Policy
- Tenant’s Forum 24 May 2018: Housing Services (HFN) End of Year Performance Report 2017-18
- Cabinet 12 June 2018: Write Offs 2017-18
- County Council 1 November 2017: Finance and Contract Rules for Write Offs

Report sign off

Authors must ensure that officers and members have agreed the content of the report:

	initials
Monitoring Officer/Legal	LH
Executive Director of Finance & S151 Officer	BS
Relevant Executive Director	BS
Chief Executive	DL
Portfolio Holder(s)	NO

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