



Northumberland County Council

Corporate Services and Economic Growth Overview and Scrutiny Committee

9 December 2019

Debt Recovery Update

Report of: Neil Bradley, Service Director – Strategic Commissioning and Finance

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:

	2015-16	2016-17	2017-18	2018-19
Sundry debt	£66,451.44	£86,859.14	£104,856.31	£86,507.19
Council Tax	£511,941.04	£847,797.21	£869,775.83	£474,500.89
Business Rates	£626,310.01	£656,647.24	£611,495.46	£790,990.74
Benefit Overpayments	£238,607.81	£163,040.67	£174,067.31	£165,914.69
Housing Rent & Other	£0.00	£0.00	£208,310.92	£394,903.58
Debt (see note 1)				
Adult Social Care	£967.65	£11,462.85	£43,977.11	£37,671.68
Total	£1,444,277.95	£1,765,807.11	£2,012,482.94	£1,950,576.88

Notes:

1. The Finance & Contract Rules covering write offs were updated at County Council on 1 November 2017 to include Housing debts.
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 club data for 2018-19 data showed that:
 - The amount of council tax written off as a percentage of Net Debit was 0.25% against an average of 0.67% across the contributing Councils in the benchmarking club; and

- The amount of business rates written off as a percentage of Net Debit was 0.95% against a club average of 0.94%.
- The amount of benefit overpayments written off as a percentage of total debt outstanding was 2.1% against a club average of 4.3%.

5. At 30 September 2019 the following amounts have been written off during the 2019-20 financial year in accordance with the Council's write-off policy:

	2019-20
Sundry debt (see note 1)	£217,218.85
Council Tax	£1,535.50
Non-Domestic Rates	£139,173.80
Benefit Overpayments	£46,006.60
Housing Rent & Other Debt	£262,131.45
Adult Social Care	£3,528.64
Total	£669,594.84

Notes:

1. £136,644.54 of the sundry debt written off is in respect of debts deemed irrecoverable in 2018-19 but not actioned until 2019-20 due to delayed development of the Council's new financial system.

Sundry Debt

6. At 30 September 2019 the Council was owed £13.459 million by its sundry debtors. The debt, analysed by its maturity, is shown below (with 30 September 2018 figures shown for comparison):

Age of debt	30 September 2018		30 September 2019	
	Number of Invoices	Balance Due £'000	Number of Invoices	Balance Due £'000
Up to 3 months past due	817	6,427	2,249*	3,164
3 to 6 months past due	313	1,313	830	1,177
6 to 9 months past due	169	320	589	853
9 to 12 months past due	145	3,339	285	699
1 to 5 years past due	811	1,151	1,000	1,115
Over 5 years past due	126	240	151	299
Debt past due date	2,381	12,790	5,104	7,307
Debt within terms	3,941	8,827	3,737	6,152
Total debt	6,322	21,617	8,841	13,459

Notes:

- Following implementation of the Council's new financial system, recovery action was delayed as system development was required to enable production of reminder letters. That work is complete and the Council has started to issue reminder letters which should lead to a reduction in the number of past due invoices.

- *Includes 890 invoices for commercial waste collection delayed until July due to system development following implementation of the Council's new financial system.

7. Seven customers have past due balances of over £0.100 million at 30 September 2019. Details are shown below with 31 March 2019 figures for comparison. The total of £2.617 million past due represents 35.8% of the total debt past due as at 30 September 2019.

Customer	31 March 2019		30 September 2019	
	Number of Invoices	Value Past Due £'000	Number of Invoices	Value Past Due £'000
NHS Customer 4 (see note 1)	11	820	16	1,306
Customer 1 (see note 2)	12	120	12	120
Company 3 (see note 3)	-	-	18	204
Company 10	5	233	-	-
Company 11	1	137	-	-
Council 2	16	333	-	-
Council 6	3	133	-	-
Council 7 (see note 4)	-	-	13	246
Education 1 (see note 5)	10	446	2	439
Education 2 (see note 6)	5	560	1	134
Education 3	9	478	-	-
Education 4 (see note 7)	-	-	4	168
Total	72	3,260	66	2,617

Notes:

1. 7 invoices are now paid. 9 invoices for £1,117,006.05 are being pursued.
 2. Part payment received from proceeds of sale of property, a significant shortfall was anticipated. Options to recover balance are being assessed.
 3. 15 invoices are now paid. 3 invoices totalling £171,755.00 are being pursued.
 4. 8 invoices are now paid. 5 invoices totalling £20,491.93 are being pursued.
 5. Invoices are now paid.
 6. Invoice is now paid.
 7. 1 invoice for £132,000 has been credited off and 1 invoice for £26,817.70 is now paid. 1 invoice for £5,000 is in dispute and 1 invoice for £4,622.55 is being pursued.
8. Analysis of the level of overdue debt as at 30 September 2019 by the service area raising the invoices is shown below (again with 30 September 2018 figures for comparison):

Service Area	30 September 2018		30 September 2019	
	Number of Invoices	Value Past Due £'000	Number of Invoices	Value Past Due £'000
Adult Services	1,217	3,789	2,492	2,681
Children's Social Care	156	712	146	805
Corporate Resources (Finance)	255	3,824	337	1,690
Corporate Resources (IT)	7	9	26	234
Corporate Resources (Legal and Health & Safety)	6	7	10	30
Culture, Heritage & Libraries	19	4	7	36
Fire & Rescue	14	16	39	37
Housing	8	13	12	23
Housing Services	2	1	6	6
Local Services (including Projects)	415	408	1,447*	846
Property & Estate Management	39	3,118	62	111
Pension Fund	9	107	6	76
Public Health/Protection	186	169	400	240
Regeneration & Dev Man	25	550	47	334
Schools	23	63	67	158
Total	2,381	12,790	5,104	7,307

Notes:

- *Includes 890 invoices for commercial waste collection delayed until July due to system development following implementation of the Council's new financial system.
- Following implementation of the Council's new financial system, recovery action was delayed as system development was required to enable production of reminder letters. That work is complete and the Council has started to issue reminder letters which should lead to a reduction in the number of past due invoices.

Council Tax

9. Council Tax is charged on domestic dwellings in the County. There are currently 154,989 domestic dwellings in Northumberland, with a net collectable debit of £204.7 million for 2019-20.
10. 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 2019 £9.6 million was outstanding in total (£3.9 million relating to the 2018-19 financial year). For comparison, at 31 March 2018 £9.4 million was outstanding in total (£3.8 million relating to the 2017-18 financial year).

11. The Council's collection rate for in-year collection (this does not include arrears) for 2018-19 increased to 98.1% against a target of 98.0%.
12. The collection rate for 2018-19 was again the highest of the 12 North East Councils, well above the 97.0% national average for all local authorities in England and well above the 96.8% national average for all Unitary authorities in England. CIPFA Benchmarking data shows that the average in-year collection rate across all contributors was 97.0%.
13. In-year collection rates for all years from 2009-10 are shown below:

Council Tax	%		%
2009-10	96.6	2014-15	97.7
2010-11	96.9	2015-16	97.8
2011-12	97.4	2016-17	97.9
2012-13	97.7	2017-18	98.0
2013-14	97.5	2018-19	98.1

14. The in-year collection rate at 30 September 2019 was 56.0% and is below performance for prior years. This is due to a number of factors: The 8% reduction in Council Tax Support for working age customers, including those who previously had nothing to pay; 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 2019-20 of £13.7 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 2019 for customers receiving Council Tax Support was 47.8%. As at 30 September 2018, prior to the 8% reduction in Council Tax Support, the in-year collection rate was 49.0%. Whilst this is an indicator that the Council Tax Support changes may have had an impact on collection rates, caution should be exercised in the interpretation of this interim position until the year end position is known.
16. Performance comparison with the North East Councils at 30 September 2019 is not yet available.
17. Our in-year collection rate target for 2019-20 is 97.8%, reduced to factor in the 8% reduction in Council Tax Support for working age customers, including those who previously had nothing to pay.
18. In cash terms, £7.0 million more was collected to 30 September 2019 compared to the same point in 2018-19.

19. The number of customers on Direct Debit at annual billing (who had something to pay) reduced to 74.4% for 2019-20. The reduction is due to the 8% reduction in Council Tax Support for those working age customers who previously had nothing to pay. For comparison, it was 82.0% in 2018-19 and 81.1% in 2017-18. CIPFA benchmarking data for 2019-20 annual billing showed that the Council still had the highest take-up of all the contributors (the average take-up was 69.0%). The Council was also the highest in 2018-19 and 2017-18 when the averages were 64.8% and 63.1%, respectively.
20. During the previous four financial years the Council issued the following recovery notices:

	2015-16	2016-17	2017-18	2018-19
1st or 2nd Reminders	41,696	40,991	40,401	39,598
Final Notices	3,645	3,626	3,700	2,885
Summonses	11,346	11,026	11,570	9,704
Liability Orders	8,958	8,544	8,784	7,846

21. In the first half of 2019-20 the Council has issued:

- 24,829 1st and 2nd Reminders
- 957 Final Notices
- 8,639 Summonses
- 7,214 Liability Orders

The numbers have increased significantly from 2018-19 due to the 8% reduction in Council Tax Support for working age customers, including those who previously had nothing to pay.

22. 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 (see note 1 below)	2,500	682
Attachment of earnings	1,982	1,129
Enforcement Agent (Formerly Bailiff)	4,317	2,714
Committal (see notes 2 & 3 below)	120	147
Bankruptcy/Statutory Demand (see note 3 below)	6	56
Charging Orders (see note 3 below)	23	124

Notes:

1. Includes 1,031 Attachment of Benefit from Universal Credit.
2. No Council Tax defaulters were sent to prison in the first half of 2019-20.
3. These cases can comprise one or multiple Liability Orders.

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

	Number of cases 2015-16	Number of cases 2016-17	Number of cases 2017-18	Number of cases 2018-19
Attachment of benefit	3,047	3,541	3,647	3,196
Attachment of earnings	3,600	4,160	4,133	3,755
Enforcement Agent Committal	3,759 116	4,112 153	5,066 46	4,506 0
(see note 1 below) Statutory Demands	38	14	12	16
(see note 1 below) Bankruptcy Petitions (see note 1 below)	8	1	4	7
Bankruptcy Orders (see note 1 below)	5	0	4	2
Interim Charging Orders (see note 1 below)	11	5	15	8
Final Charging Orders (see note 1 below)	11	3	16	6

Notes:

1. During 2018-19 no Council Tax defaulters were sent to prison and there were none in 2017-18. During 2016-17 nine Council Tax defaulters were sent to prison for terms ranging between 5 and 73 days, following several court hearings and during 2015-16 two Council Tax defaulters, who continually breached Court orders for payment, were sent to prison for 12 days and 74 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)

24. Non-Domestic Rates are charged on business properties in the County. There are currently 13,298 business properties in Northumberland, with a total rateable value of £229 million, and with a net collectable debit of £85.2 million for 2019-20.
25. 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 2019 £3.1 million was outstanding in total (£1.2 million relating to the 2018-19 financial year). For comparison, at 31 March 2018 £3.3 million was outstanding in total (£1.5 million relating to the 2017-18 financial year).

26. The Council's collection rate for in-year collection (this does not include arrears) increased to 98.3% in 2018-19 against a target of 98.1%.
27. This performance is below the average performance of the 12 North East Councils (98.7%). It is equal to the average compared to all local authorities in England, and above the average of all Unitary authorities in England (98.2%). CIPFA Benchmarking data shows that the average in-year collection rate across all contributors was 98.2%.
28. Collection rates for all years from 2009-10 are shown below.

Non-Domestic Rates	%		%
2009-10	95.5	2014-15	97.9
2010-11	97.0	2015-16	98.1
2011-12	97.2	2016-17	98.1
2012-13	97.6	2017-18	98.1
2013-14	97.3	2018-19	98.3

29. The in-year collection rate at 30 September 2019 was 58.0% and is below performance for prior 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.
30. Performance comparison with the North East Councils at 30 September 2019 is not yet available.
31. Our target in-year collection rate for 2019-20 is 98.3%.
32. The number of businesses paying by Direct Debit at annual billing (who have something to pay) increased to 72.9% for 2019-20. For comparison, it was 71.5% in 2018-19 and 71.2% in 2017-18. CIPFA Benchmarking data showed that the Council still had the highest take-up of all the contributors for 2019-20 annual billing (the average take-up was 39.9%). The Council was also the highest in 2018-19 and 2017-18 when the averages were 41.7% and 45.8%, respectively.
33. During the previous four financial years the Council issued the following recovery notices:

	2015-16	2016-17	2017-18	2018-19
Reminders	3,463	3,341	3,539	3,037
Summonses	859	831	701	571
Liability Orders	557	525	401	357

34. In the first half of 2019-20 the Council has issued:
 - 1,709 Reminders
 - 478 Summonses
 - 221 Liability Orders

35. 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
Enforcement Agent (Formerly Bailiff)	177	654
Committal (see notes 1 & 2 below)	8	13
Bankruptcy/Statutory Demand (see note 2 below)	5	539

Notes:

1. No ratepayers were sent to prison in the first half of 2019-20.
 2. These cases can comprise one or multiple Liability Orders.
36. During the previous four financial years the following number of cases were subject to enforcement action:

	Number of cases 2015-16	Number of cases 2016-17	Number of cases 2017-18	Number of cases 2018-19
Enforcement Agent (Formerly Bailiff)	305	250	277	206
Committal (see notes 1 & 2)	11	9	6	0
Statutory Demands (see note 2)	6	4	11	10
Bankruptcy Petitions (see note 2)	0	1	5	10
Bankruptcy Orders (see note 2)	0	0	3	2

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

37. 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.
38. 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.

39. 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 2018-19 overpayments of £2.470 million were identified with £1.382 million recovered in year (56.0%). This compares with 53.3% being recovered in-year in 2017-18, 52.1% in 2016-17 and 47.7% in 2015-16. A further £1.241 million was collected in respect of overpayments identified prior to 1 April 2018.
40. A total of £2.623 million was recovered in 2018-19 compared to £3.029 million in 2017-18, £2.969 million in 2016-17 and £2.999 million in 2015-16. The drop in recovery can be attributed to the movement of Housing Benefit claimants to Universal Credit thus removing our opportunity to recover from future payments of Housing Benefit and fewer overpayments being created. Cash collected in 2018-19 amounted to £0.909 million compared to £0.904 million in 2017-18, £0.980 million in 2016-17 and £0.852 million in 2015-16.
41. As at 30 September 2019 a further £1.426 million overpayments have been identified, of which £0.663 million has been recovered (46.5%). A further £0.667 million has also been recovered in respect of overpayments identified prior to 1 April 2019.
42. A total of £1.330 million has been recovered so far this financial year. This compares to £1.385 million recovered in the same period in 2018-19. Cash collected to 30 September 2019 amounts to £0.445 million, compared to £0.470 million collected as at 30 September 2018.
43. There is currently £4.855 million outstanding in respect of housing benefit overpayments (£0.758 million in respect of overpayments identified in 2019-20 and £4.097 million in respect of prior years). £4.798 million is recoverable and recovery action is taking place utilising the following methods of recovery (with 30 September 2018 figures for comparison):

Recovery Method	No of cases/ invoices	30 Sep 2018 £'000	No of cases/ invoices	30 Sep 2019 £'000
On-going entitlement to benefit	1446	1,701	1071	1,325
Invoice stage	511	392	377	353
Reminder stage	179	254	169	252
Final stage	868	950	1062	1172
External debt collector	908	837	299	271
Attachment of benefit (clerical claims)	42	100	20	79
DWP Referrals	484	291	1041	784
Direct Earnings Attachment	410	430	476	561
CCJ obtained	0	0	0	0
CCJ cases with High Court Enforcement	2	1	1	1
Total	4,850	4,956	4,516	4,798

44. Invoices are raised for all recovery methods except where deductions are being made from on-going entitlement to benefit.
45. 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.
46. Benchmarking performance:
- The Council again had the 4th lowest level of outstanding overpayments at the end of 2018-19 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 June 2019 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.
 - Performance comparison with the North East Councils at 30 September 2019 is not yet available.
 - CIPFA benchmarking draft data for 2018-19 shows that our performance continues to compare favourably with our comparator authorities:
 - a. The Council recovered 34.8% of outstanding overpayment debt against an average of 27.6% across the contributing Councils.
 - b. The Council wrote off 2.1% of total debt outstanding against an average of 4.3% across the contributing Councils.
 - In 2017-18 the Council recovered 36.6% of outstanding overpayment debt against an average of 30.2% across the contributing Councils, and wrote off 2.0% of total debt outstanding against an average of 4.5% across the contributing Councils.
47. The £2.470 million of overpayments identified in 2018-19 are broken down as follows (with 2017-18 £3.320 million for comparison):

Overpayment Reason	2017-18		2018-19		
	Council	Private	Council	Private	
	Tenants	Tenants	Tenants	Tenants	Tenants
	£'000	£'000	£'000	£'000	£'000
Claimant Error	579	2,493	420		1,816
Local Authority Error	7	35	4		29
Administrative Delay	14	65	11		69
Fraud	39	47	11		72
DWP Error	3	5	2		6
Technical Overpayments	33	-	28		2
Total	675	2,645	476		1,994

48. In 2018-19 total Housing Benefit expenditure was £79,024 million and there were 19,892 claimants as at 31 March 2019. In 2017-18 total Housing Benefit expenditure was £82.068 million and there were 21,895 claimants as at 31 March 2018.

Housing Rent and other debt

49. 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.

50. A 4-year analysis of current and former tenant rent arrears is shown below. The Council's Finance and Contract Rules covering write offs didn't include former Homes for Northumberland and Housing debts until 1 November 2017. Work is now underway to write off irrecoverable former tenant debt.

Measure	2015-16	2016-17	2017-18	2018-19
Annual Rent Debit	£32.0m	£32.1m	£31.2m	£31.0m
Current arrears as a % of the annual rent debit	1.64 %	1.75 %	1.51 %	1.88 %
Current tenant rent arrears outstanding	£524,766	£562,864	£471,631	£582,836
Former arrears as a % of the annual rent debit	2.41%	3.03%	3.76%	3.82%
Former tenant rent arrears outstanding	£770,324	£973,374	£1,174,006	£1,184,575

51. The targets for rent arrears in 2018-19 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.

52. The target for current tenant rent arrears was exceeded and equates to £37,764 under target. This is notable performance given the impact arising from the introduction of full service of Universal Credit (UC) in Northumberland during November and December 2018.
53. Benchmarking information for 2018-19 shows that, for current arrears as a percentage of the annual rent debit, the Council is the highest performer compared to four other regional housing providers, with arguably the most challenging target.
54. Whilst former tenant arrears have increased significantly since 2012, there has again been some success in 2018-19 with only an additional £10,000 of debt accrued.

55. 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	2015-16	2016-17	2017-18	2018-19
Number of Notices of Seeking Possession	746	984	871	775
Number of Evictions (see note 1)	78	59	72	49

Note:

1. The work to support tenants to maintain their tenancies has resulted in a significant reduction in the number of evictions carried out in 2018-19.

56. In respect of all other housing debt, 2018-19 end of year performance is shown below, together with end of year performance in 2017-18 for comparison:

Measure	Current Tenants		Former Tenants	
	31 Mar 2018	31 Mar 2019	31 Mar 2018	31 Mar 2019
Garage Arrears	£2,664	£2,391	£8,100	£8,851
Furniture Recharges	£3,465	£2,825	£177,880	£137,768
Repair Recharges	£46,251	£45,348	£1,161,106	£1,072,637
HB Overpayments	£6,669	£6,698	N/A	N/A
Leasehold Service Charge	£69,663	£63,663	N/A	N/A
Bankruptcy	£4,449	£7,194	£1,317	£1,320
Court Costs	£142,205	£150,147	£146,179	£160,646
Attachment of Benefit Orders	0	0	0	0

57. In seeking to recover debt over and above that undertaken on a voluntary basis the Council made forty three debt collection referrals in 2018-19. This compares with forty one in 2017-18.

58. The targets for rent arrears in 2019-20 are:

- To collect 98% of rent owed by current tenants – new measure
- Former tenant as a % of the annual rent debit - 1.90%

Note - Tenant debt is a year on year cumulative total expressed as a percentage of the annual rent debit.

59. Quarter 2 performance to 30 September 2019 is shown below, together with Quarter 2 performance in 2018-19 for comparison:

Measure	Current Tenants		Former Tenants	
	30 Sep 2018	30 Sep 2019	30 Sep 2018	30 Sep 2019
Arrears as a % of the debit	2.66%	2.66%	3.85%	4.09%
Rent collected (98% target)	N/A	97.58%	N/A	N/A
Arrears Outstanding	£816,107	£958,264	£1,187,903	£1,239,946
Sheltered Arrears	£7,909	£9,870	£6,384	£13,080
Garage Arrears	£9,881	£7,410	£8,363	£9,631
Furniture Recharges	£2,852	£3,032	£170,011	£112,822
Repair Recharges	£47,984	£73,437	£1,185,255	£930,022
Housing Benefit Overpayments	£6,698	£6,698	N/A	N/A
Leasehold Service Charge	£77,205	£77,102	N/A	N/A
Bankruptcy	£7,665	£8,622	£1,197	£2,918
Court Costs	£137,006	£150,754	£153,909	£176,431
Notices of Seeking Possession	369	449	N/A	N/A
Evictions	23	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

60. For current tenant arrears performance, the trend analysis from this year to last suggests that the Council will finish the year on target despite the impact arising from the introduction of Universal Credit (UC) and the Benefit Cap.
61. Full Service Universal Credit was introduced in Northumberland in November and December 2018. At 30 September 2019 1,130 tenants were in receipt of the benefit, up from 498 tenants in March 2019. The waiting time, which is now 5 weeks, has resulted in collective arrears of £158,019.69 up from £69,800, in March 2019. This equates to a rise of 0.27% of debt in the 6 month period.
62. Tenants wait on average 5 weeks for their first monthly payment and it is during this period that arrears are accrued. The average rent for a Northumberland County Council property is £74.90 per week and on average those in receipt of UC are in arrears of £413.71 which equates to 5.5 weeks of rent payments.
- Analysis shows that tenants claiming UC are 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.

- Currently we have successfully secured 201 Alternative Payment Arrangements and 114 third party reductions for rent arrears.
 - When applicants make their first claim for UC they can request an advance payment. If eligible they can receive an amount equal to 1 month's payment. This amount is then repayable over 12 months meaning they will receive a reduced payment until the advance is repaid. Tenants who have received an advance have used the money to pay for essentials, i.e. food, clothing and heating and are not using any of it to pay towards their rent. In the main we are not receiving any payment towards rent until after the original 5 week waiting time.
63. Universal Credit can be complex, challenging and confusing for staff and customers. The NFA recently conducted a survey which showed that 67% of households on UC owed on average 7 weeks rent totalling £564.00. Northumberland County Council currently has 1,130 tenants claiming UC and the average arrears for this group are £413.71 which is below the National average.
64. In addition to UC, a further 40 tenants are affected by the Benefit Cap with arrears totalling £11,600. The Council's Welfare Benefits Advisor is working closely with these tenants and, where possible, is assisting with their claims for Discretionary Housing Payment.
65. For evictions and Notices of Seeking Possession: This year the Council has carried out 16 more evictions compared to the same time last year, and served 80 more 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.
66. There were no customer complaints or compliments to 30 September 2019 in relation to arrears and recovery matters. There were also none in 2018-19.
67. Benchmarking data is not available yet.

Other Housing Revenue Account Debt

68. In addition to the Housing 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 2018	31 Mar 2019	31 Mar 2018	31 Mar 2019
Valley Care	£7,400	£3,317	£4,934	£4,638

69. Quarter 2 performance to 30 September 2019 is shown below, together with Quarter 2 performance in 2018-19 for comparison:

Measure	Current Tenants		Former Tenants	
	30 Sep 2018	30 Sep 2019	30 Sep 2018	30 Sep 2019
Valley Care	£3,618	£3,151	£4,737	£4,632

Recent and current developments

70. Since the last report to the Corporate Services and Economic Growth Overview and Scrutiny Committee in July 2019 work has been on-going to improve the efficiency and effectiveness of the billing, collection and recovery of all monies due to the Council.
71. Quarterly joint meetings are held with the Council's appointed Enforcement Agents and Citizens Advice Northumberland. Citizens Advice Northumberland continues to report that they have no major issues in relation to the work being carried out by the Enforcement Agents.
72. The Cabinet Office is working with local authorities to set up data sharing pilots with HMRC to share employment information for council tax collection. Data sharing 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. The Recovery Manager is leading a group comprising of Northumberland. County Council and the five Tyne and Wear Councils. Go-live is expected to be early 2020.
73. 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.
74. The Housing Operation Service has restructured. This has created a specialist Income Team who are responsible for protecting rental income and sustaining tenancies. The number of income officers has increased, support and vulnerability officers have been introduced, a CAB officer is working 2 days with the team and Income officers are working in Job Centres across the County.
75. The new Income Team provides us with an opportunity to focus our resources to where they are needed most in addition to working with our customers as well as internal and external partners to prevent unnecessary account escalation and evictions.

76. Universal Credit poses a significant risk to rental income and our current working practices have been reviewed in order to respond. We are currently supporting our new Income Officers and wider teams to increase their knowledge in UC and working with partners to share learning and learn from best practice.
77. The Housing Income Management strategy will be reviewed covering the last quarter of 2019/20 and 2020/21 which will set our immediate priorities over this time-frame and the actions we will take to ensure we protect income and support staff moving forward. Proposed themes within the strategy are:
- Promoting a positive payment culture;
 - Maximising rental income and reducing arrears; and
 - Preparing for Migration of Universal Credit and Financial Inclusion.

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 (Impact Assessment attached) Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A <input type="checkbox"/>	All debt recovery policies and the procedures they use 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.
Carbon reduction	None
Health & Wellbeing	None
Wards	All

Background Papers:

Corporate Debt Recovery Policy
Cabinet 11 June 2019: Write Offs 2018-19

Report sign off

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

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