



Debt Management Update

Corporate Priority:	Ensuring the right conditions to support delivery (inward)
Relevant Ward Member(s):	N/A
Date of consultation with Ward Member(s):	N/A
Exempt Information:	No

1 Summary

1.1 Following a verbal update from the Director of Housing and Communities on 18th October 2022 and subsequent briefing note on the progress regarding debt recovery, this report includes:

- A performance update for each area of debt
- Confirmation of the approach to recovery including the use of Charging Orders, Winding up Orders and Bankruptcy Orders for Council Tax / Business Rate arrears in line with the Corporate Debt Policy
- An Action Plan in respect of Sundry Debtor collection; and
- Information on the amount of debt written off for the last three years

2 Recommendations

That Scrutiny Committee:

- 2.1 **Notes and comments on the council's performance as set out within the report regarding the collection of debts.**
- 2.2 **Notes the proposed future action which includes the use of Charging Orders, Winding up Orders and Bankruptcy Orders for Council Tax / Business Rate arrears in line with the Corporate Debt Policy.**

3 Reason for Recommendations

- 3.1 Income collection is one of the key factors in ensuring that the Council is able to minimise the level of net expenditure falling on Council taxpayers and Council tenants. Detailed below is a summary for each service area.

4 Background

- 4.1 As part of their workplan Scrutiny Committee have requested information relating to the council's performance in relation to debt collection. A briefing note was previously provided by the Director for Housing and Communities and this report expands on that briefing note providing fuller information in relation to all areas of debt collection.
- 4.2 It should be noted that the Revenues Team were responsible for administering several grant schemes for Business Rate payers and test and trace payments to the public during the pandemic followed by administration of the energy rebate scheme. As a result, a considerable amount of Revenue officers time and resources were diverted from the normal day to day arrears collection work to ensure these grant schemes were paid and delivered on time. The Council was highly effective in support residents and business throughout the pandemic, and more latterly with the impacts from the cost-of-living crisis, and whilst these pressures have been managed effectively, inevitably this will put pressure on capacity and resources to undertake other duties.
- 4.3 Members should note that performance has improved in a number of areas despite the impact of Covid 19 and in some areas, the Council is one of the highest performing regionally and nationally.

5 Main Considerations

5.1 Council Tax

- 5.1.1 Council Tax is a charge on domestic properties and there are 24,072 households (annual collectable debit is £46m) in the Borough and of those 83.0% pay by direct debit, which is the second highest percentage in Leicestershire. The highest figure in Leicestershire is 83.4%. Consequently, Melton Borough Council performs very well year on year and against other Leicestershire authorities and nationally as detailed below:

- Performance for Council Tax collection in 2021/22 improved when compared to 2020/21 by 0.31% to 98.21%;
- Performance has been in the top quartile nationally for the last two years ;
- When compared to other Leicestershire authorities our performance was ranked first out of nine Councils for 2021/22;
- When compared to other District Councils our performance was ranked sixth overall and second when compared to East Midland District Councils;
- As at 30th September 2022 Melton had collected as a percentage, with Rutland CC, more Council Tax than any other Leicestershire Council;
- Performance at 30th November 2022 was slightly down 0.12% when compared to 30th November 2021. However, there is confidence the year-end target will be achieved;
- As at the 30th November 2022 Council Tax arrears amounted to just over £1.6m compared to £1.5m at 30th November 2021.

- 5.1.2 Detailed below is a summary of the arrears by recovery stage and in paragraph 5.3, it details what action will be taken to reduce them.

Recovery Stage	Amount
Pending Enforcement (awaiting Officer decision re next recovery stage)	£66k
Enforcement Agents (previously known as Bailiffs)	£305k
Attachment of Earnings / Benefits (deductions via someone's earnings or benefits)	£360k
Payment arrangement agreed with resident	£254k
Awaiting a forwarding address before next recovery stage can be considered	£52k
Awaiting write off to be approved by either Director or Cabinet	£79k
Further action e.g. Bankruptcy proceedings, Charging Order	£484k
TOTAL	£1.6m

5.2 Business Rates

5.2.1 Business Rates are a charge on commercial properties and there are 1,678 chargeable (annual collectable debit is £20m) properties in the Borough and of those 37.6% pay by direct debit. Generally, the percentage take up for direct debit is a lot lower than Council Tax, but Melton's figure is the highest percentage in Leicestershire.

5.2.2 Again, Melton BC performs very well year on year and against other Leicestershire authorities and nationally as detailed below:

- Performance for collection in 2021/22 improved when compared to 2020/21 by 0.80% to 98.42%;
- Performance has been in the top quartile nationally for the last two years;
- When compared to other Leicestershire authorities our performance was ranked fourth out of nine Councils for 2021/22;
- When compared to other District Councils our performance was ranked twenty third overall and sixth when compared to East Midland District Councils;
- As at 30th September 2022 Melton had collected as a percentage more Business Rates than any other Leicestershire Council;
- Performance at 30th November 2022 was up 7.28% when compared to 30th November 2021;
- As at the 30th November 2022 Business Rate arrears amounted to £535k compared to £254k at 30th November 2021, which is as a result of some large back dated bills;

5.2.3 Detailed below is a summary of the arrears by recovery stage and in paragraph 5.3 it details what action will be taken to reduce them.

Recovery Stage	Amount
Pending Enforcement (awaiting Officer decision re next recovery stage)	£439k
Enforcement Agents (previously known as Bailiffs)	£46k
Attachment of Earnings / Benefits (deductions via someone's earnings or benefits)	£1k
Payment arrangement agreed with resident	£9k
Awaiting a forwarding address before next recovery stage can be considered	£19k
Awaiting write off to be approved by either Director or Cabinet	£14k
Further action e.g. Winding Order or Bankruptcy proceedings	£7k
TOTAL	£535k

5.3 **Council Tax & Business Rate Arrears**

5.3.1 Work is ongoing to collect the arrears for both Council Tax and Business Rates in accordance with the Council's Corporate Debt Policy. Where the Council has exhausted all other recovery avenues (further action in the above tables) then Bankruptcy Orders, Winding Orders and Charging Orders will now be considered with assistance from the Legal Team.

5.3.2 The request for these other recovery avenues would be signed off by the Revenues & Benefits Manager who would need to be satisfied that:

- All other recovery methods have been exhausted in accordance with the Council's Corporate Debt Policy; and
- There are no vulnerability issues regarding the Council Tax or individual Business Rate payer. Checks will include checking with other internal Departments.

5.4 **Current Council House Rent**

5.4.1 The Council currently owns 1798 homes which are rented by our tenants. Separately, the Council has 30 leasehold properties.

5.4.2 As at 6th December 2022, the Council had 54 vacant (void) properties (96.98% occupation rate). The average rent for our properties is currently £75.10 per week. Currently, 495 tenants pay their rent by direct debt as a method of payment (27.65%). Our budgeted collection amount for this financial year is £7,381,680 from rent for our dwellings.

5.4.3 Performance for rent collected as a percentage of the rent due (in year) as at the end of quarter four for 2021/22 was 94.85 %. This was outside the 96.50% tolerance for the end of the year by 1.65%. Income management in housing has been identified as a risk and is a key focus for the housing service.

- 5.4.4 The impact on resourcing, coupled with the national restrictions on tenancy action instigated during the covid pandemic has led to current arrears levels being higher than the desired level and therefore action has been taken to address this.
- 5.4.5 Progress has previously been impacted by the absence of key staff, a need to update processes and competing priorities as the Council embarked on multiple improvements through the Housing Improvement Plan.
- 5.4.6 It is also important to ensure that tenants are supported effectively, as households are likely to be facing additional financial pressures as a result of the cost-of-living crisis.
- 5.4.7 A number of changes and improvements are underway. Over the last six months to address this position, the following steps have been taken:
- Further to a review of resources, roles and responsibilities, an Income & Tenancy Sustainment Officer role has been created. The postholder started in October 2022, and is responsible for the end-to-end process, to enable greater focus and grip on income management.
 - An Income Management Policy has been developed and will be implemented in January 2023
 - Initiated and implemented the use of Possession Claims Online (PCOL). This is an HM Courts & Tribunals Service function which will allow us to make possession claims for rent arrears quicker and is cheaper than in paper and post (implemented December 2022);
 - Improved data collection on arrears to highlight trends and issues for early intervention.
- 5.4.8 To ensure that we continue to mitigate the risks to Melton Borough Council and implement a robust, statutory, and regulatory income management service the following actions are planned:
- Review of processes and development of clear guidance and processes for staff and customers
 - Produce an up to date suite of letter for the stages of rent arrears collections;
 - Update ICT systems to replicate and automated process where possible;
 - Provide refresher training to all staff who might have a part in the process to collect income and support our customers;
 - Set targets for income collection for the officer as already agreed as part of the Housing Services Dashboard.
- 5.4.9 With the changes in place and a focussed resources to oversee this process, improvements are expected in performance and will be reported though the corporate performance reporting arrangements. The cost-of-living crisis is likely to place additional financial pressure on households, and support to tenants to prevent and reduce rent arrears whilst also providing appropriate support is key.
- 5.5 Former Tenant Arrears (FTAs)**
- 5.5.1 As at 30th November 2022 £348k remained outstanding compared to £318k at 30th November 2021.
- 5.5.2 Officers continue to pursue FTAs but because of the nature of the debt, recovery action is limited unless a contact address is provided by the outgoing tenant or tracing agent.

5.5.3 Detailed below is the arrears position by recovery stage.

Recovery Stage	Amount
Payment arrangement agreed with resident	£52k
Default on payment arrangement (awaiting Officer decision re next recovery stage)	£4k
Court Enforcement Officer (previously known as the Court Bailiff)	£73k
Pending Warrant (County Court Judgement obtained but they are they are not paying so debt needs to be sent to the Court Enforcement Officer)	£43k
Pending Court Action (cases waiting for MBC to make a court application)	£55k
Awaiting a forwarding address before next recovery stage can be considered	£22k
Awaiting write off to be approved by either Director or Cabinet	£78.5k
Pending Enforcement (awaiting Officer decision re next recovery stage)	£20.5k
TOTAL	£348k

5.6 Sundry Debts

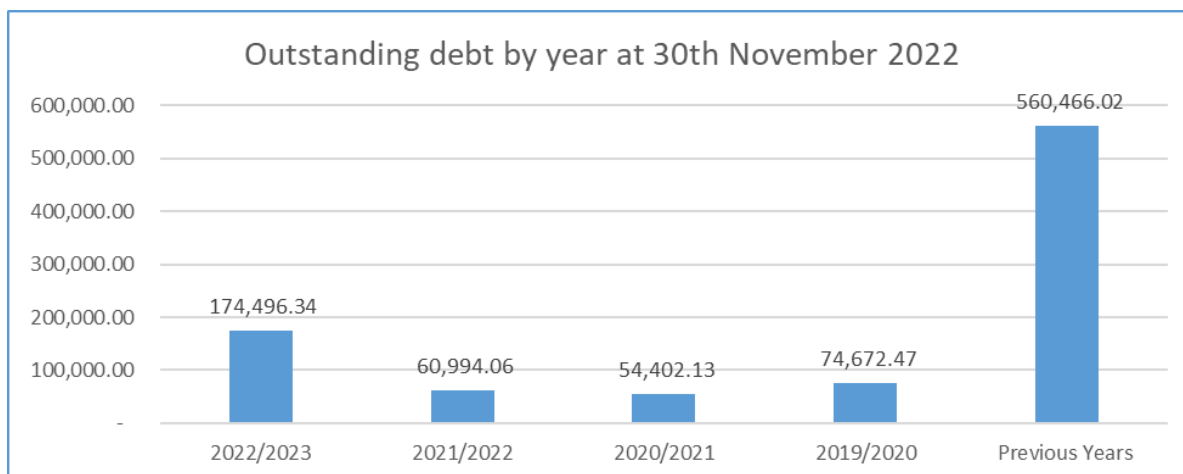
5.6.1 Sundry debts cover a range of services and Council functions, from Housing Benefit Overpayments to services such as lifeline and licencing.

5.6.2 As at 30th November 2022 the amount of debt outstanding to the Council was £925,031.02 compared to £962,320.00 for 30th November 2021.

5.6.3



5.6.4



5.6.5 Detailed below is a summary by recovery stage.

Recovery Stage	Amount
Payment arrangement agreed with resident	£133k
Awaiting write off to be approved by either Director or Cabinet	£70k
Pending further action (awaiting Departments decision re next recovery stage)	£722k
TOTAL	£925k

5.6.6 It is estimated that at least £250k of sundry debtor debt is “statute barred” and therefore needs to be written off as these debts are legally too old to be collected. If a debt is barred under statute, it means that by law (The Limitation Act) the Council has run out of time to use certain types of action to make the debtor pay.

5.6.7 As mentioned in paragraph 4.2 a considerable amount of Revenue officers time and resources were diverted from the normal day to day arrear collection work in order to ensure covid business grants and test and trace payments were paid and delivered on time. This was closely followed by the energy rebate scheme which has only just ended. This inevitably placed pressure on available capacity.

5.6.8 With regards to the £722k identified in the table above as ‘awaiting further recovery action’, these debts are being reviewed by the Interim Revenues & Benefits Manager in conjunction with the Sundry Debt Income Recovery Officer and subject to the usual checks they will be passed to the Governance and Democracy Team for further recovery action. This process also includes reviewing all the Housing Benefit Overpayment debt, which equates to nearly 50% of the total amount outstanding for Sundry Debtors

5.6.9 The Interim Revenues & Managers has undertaken a full review of the Sundry Debtor procedures and produced an Action Plan (copy attached as Appendix 1) with the aim of:

- Reducing the debts owed to the Council
- Ensuring performance is monitored monthly
- Ensuring write offs are written off quarterly

- Improving performance
- Changing the way performance information is reported to the Senior Leadership Team and Members

5.6.10 It is anticipated that by implementing the Action Plan, arrears will reduce within the next six months.

5.7 Write offs

5.7.1 Detailed below is a summary of the write offs for the last three financial years and write-offs undertaken during 2022/23 to date. A write off report will be submitted to the 8th February 2023 Cabinet meeting and ongoing they will be submitted on a quarterly basis. Once procedures for write off have been reviewed and updated, delegation limits will also be reviewed in an attempt to process these types of debts more effectively. The procedures will set out clearly the steps that need to be taken by officers before debts can be considered for write off. This will depend on the level of debts with lower amounts potentially being uneconomical to pursue, for debtors that cannot be traced the level at which tracing agents will be used, what documentation is required before a debtor or company can be declared bankrupt, as well as what process to follow in the case of a debtor having deceased. At all times a balance needs to be struck between ensuring all appropriate steps have been taken against the resources that are needed to recover the debt.

Year	Council Tax	Business Rates	Former Tenants	Sundry Debts	Total
2019/20	£ 122,961	£ 49,122	£ 81,461	£ 19,387	£ 272,931
2020/21	£ 62,531	£ 14,535	£ 13,797	£ 9,612	£ 100,475
2021/22	£ 77,022	£ 20,631	£ 37,377	£ 12,252	£ 147,282
2022/23	£ 15,934	£ 667	£ 6,473	£ 2,493	£ 25,568
TOTAL	£ 278,448	£ 84,955	£ 139,108	£ 43,744	£ 546,256

6 Options Considered

6.1 Not applicable. The Council's Scrutiny Committee has requested information on the position regarding Council's debt levels. This report fulfils that request.

7 Consultation

7.1 All officers involved in the debt collection process have been engaged in the development of the action plan and proposed new processes. The chair of the committee has been consulted on information relevant to this report.

8 Next Steps – Implementation and Communication

8.1 Subject to the approval of the recommendations the action plan will be progressed, and steps taken to reduce the debt levels within the Council.

9 Financial Implications

9.1 It is important of for the Council's financial health that debts are pursued and levels and write offs minimised. In respect of Council tax and business rates the Council as the billing

authority is responsible for the collection of these revenues on behalf of other preceptors and therefore any poor performance also impacts on the health of other bodies.

9.2 Detailed below is the bad debt provisions at 31st March 2022.

Fund	Amount
Council Tax	£74,397.13 (MBC share)
Business Rates	£70,912.06 (MBC share)
Current Rents	£321,000.00
Former Tenant Arrears	£182,000.00
Sundry Debts	£41,000.00 (Housing Revenue Account)
Sundry Debts	£164,707.00 (General Fund)
Housing Benefit Recovery	£457,923.00
TOTAL	£1,311,939.19

9.3 Based on current debt levels the potential increased cost for 2023/24 in terms of the impact on the bad debt provision will be in the region of £66k if all of the debts currently identified for write off and the statute barred debts are written off.

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

10.1 There are circumstances when it is appropriate to write off monies owed to the Council. Some of these are covered by statute or an instruction by the courts whereas other areas will be considered operational, for example when residents cannot be traced, where customers are insolvent or there are vulnerabilities affecting the customer's ability to repay the debt.

10.2 Cabinet approval is required for the write off of debts in excess of £2,500 as per the Council's Financial Procedure Rules.

10.3 All debt recovery should be undertaken in line with the Council's Debt Recovery Policy.

Legal Implications reviewed by: Monitoring Officer

11 Equality and Safeguarding Implications

11.1 The previously approved Corporate Debt Policy was subject to an equality impact assessment prior to its approval. As no changes are being proposed to that policy there are no further implications as a result of this report.

12 Community Safety Implications

12.1 There are no community safety implications as a result of this report.

13 Environmental and Climate Change Implications

13.1 There are no direct environmental and climate change implications as a result of this report.

14 Other Implications (where significant)

14.1 There are no other implications as a result of this report.

15 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	That the new procedures and adherence to policy do not reduce the level of debt	Low	Marginal	Low
2	That there are insufficient resources in place to recover the backlog of debt	Significant	Marginal	Medium
3	That the level of write offs required will result in a negative impact on the Councils finances	High	Critical	High

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High			3	
	4 Significant		2		
	3 Low		1		
	2 Very Low				
	1 Almost impossible				

Risk No	Mitigation
1	Regular performance reporting and monitoring to ensure procedures are adhered to and are effective
2	Should resources be insufficient these will need to be highlighted and considered as part of budget setting
3	This will need to be addressed as part of budget monitoring procedures, but it is likely that this risk will materialise and result in an increase in expenditure that will need to be managed alongside other financial pressures

16 Background Papers.

16.1 None

17 Appendices

17.1 Appendix A - Sundry Debtor Action Plan.

17.2 Appendix B - Corporate Debt Policy (March 2020)

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