

Meeting date: 12 September 2018
Report to: Cabinet Member for Resources and Delivering Value
Subject/report title: Debt Monitoring Report - Quarter 1 2018/19
Report from: Director of Resources and Deputy Chief Executive
Report author/lead contact officer: Louise Lynch Income Operations Manager
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Wards affected:

- All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
 Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle |
 Lyndon | Meriden | Olton | Shirley East | Shirley South |
 Shirley West | Silhill | Smith's Wood | St Alphege

Public/private report: Public

Exempt by virtue of paragraph: N/A

1. Purpose of Report

- 1.1 To give the Cabinet Member for Resources and Delivering Value a high level view of all debts owed to the Council and the action taken to recover these as at 30 June 2018. This includes the debts we have been unable to recover and need to be written off.

2. Decision(s) recommended

2.1 The Cabinet Member for Resources and Delivering Value is asked:

- (a) To note the outstanding levels of debt as at 30 June 2018.
- (b) To note the level and value of debts under £10,000 authorised for write off by the Director of Resources and Deputy Chief Executive between 1 April 2018 to 30 June 2018.
- (c) To approve the write off of Business Rates and Sundry Income debt over £10,000 totalling £52,484.23
- (d) To approve the recommendation to commence insolvency action for business rate debt.

3. What is the issue?

- 3.1 This report details the Council's income collection position at the end of Quarter 1 (1 April 2018 to 30 June 2018).
- 3.2 **Council Tax Collection** – At the end of June 2018 the overall Council Tax collection was 30.87%, which is behind by 0.34% compared to this time last year (which is £400,966 in cash terms). The collection rate for those receiving council tax reduction was 26.10% which is ahead of this time last year.
- 3.3 The reason the overall collection rate was behind this time last year is because there are 1,250 fewer customers receiving council tax reduction. Therefore we have an additional debit of £331,000 to collect by the end of the financial year.
- 3.4 Also during quarter one; we carried out a review of customers receiving a single person discount. As a result of this work an additional £75,000 was raised due to a number of customers no longer being eligible. Last year this review took place but it was carried out later in the financial year.
- 3.5 As the extra debit mentioned above will be collected by the end of the financial year, we are still on track to meet our in year collection target of 98% and our three year collection target in the MTF5 of 98.81%.
- 3.6 **Business Rates Collection** – As at the end of June 2018 Business Rates collection was 31.86% which is 0.86% ahead of this time last year.
- 3.7 **Sundry Income Collection** – As at the end of June 2018 Sundry Income collection was 55.12%, which is 8.95% behind this time last year. Collection was behind due to four large invoices being paid late (these were paid in the first week in July totalling £1.4million).
- 3.8 **Housing Benefit Overpayment Collection** - Where customers do not report a change in their circumstances and we are later made aware of this, customers are expected to repay any Housing Benefit that has been overpaid.
- At the end of June 2018 overpaid housing benefit debt collection was 62.93%. Although this is less than what we collected in quarter one last year, this is still above our collection target.
- 3.9 **Rent Collection** – As at 30 June 2018 rent collection was 98.83% which is 0.91% ahead of this time last year. This is largely down to more tenants having their rent deducted directly from their Universal Credit payments. 628 tenants had these deductions as they were 8 weeks or more in arrears.
- 3.10 Full details of this year's collection figures can be found at Appendix A.
- 3.11 **Write Offs** - We take an energetic and proactive approach to the collection of monies owed to the Council. Where payment is not forthcoming, action to recover is taken through the courts and via tracing and collection agents. Where no further action can be taken to recover the outstanding balances these are considered for write-off.
- 3.12 The Cabinet Member has delegated authority to write off uncollectable debt under

£10,000 to the Director of Resources and Deputy Chief Executive. A summary of these authorised write offs agreed in quarter one are detailed in the table below:

Council Tax	£0.00
Business Rates	£0.00
Sundry Income	£31,428.16
Housing Benefit Overpayments	£0.00
Rents and Leaseholders	£130,758.31

3.13 Debts over £10,000 have to be authorised by the Cabinet Member for Resources and Delivering Value. The latest debts to be considered for write off that are over £10,000 can be found at Appendix B for Business Rates and Appendix C for Sundry Income (in the private part of the agenda).

3.14 Debts covering multiple years could be outstanding for two reasons:

1) If there was a payment arrangement that was eventually defaulted on (payment arrangements could cover more than one year's debt).

2) If no payment is made at all recovery action would start with a reminder and continue to bailiff action. This would be the same process for each subsequent new year's debt.

Where companies are dissolved or have gone into administration and no payment is made or payment arrangements cease, writing off the debt is the only option we can take.

3.15 **Insolvency Action** – At the September 2017 decision making session it was agreed that a trial would be undertaken to identify business rate debts and consider insolvency action for companies in significant arrears and where payment was unlikely.

3.16 In Quarter one we passed 15 cases to Jacobs' Insolvency Practitioners to see if taking this course of action was viable. In their opinion three were suitable to try and recover the debt using the insolvency route as these companies could have assets.

3.17 There were a further three cases that did not have a surplus of assets but by taking action to wind up these companies it could prevent any future business rate debt accruing.

3.18 The next stage of the trial is for the Insolvency Practitioner to issue a letter of our intention to take this action. Details of the business rate payers and the debts can be seen in Appendix D (in the private part of the agenda) for your agreement to continue with this next course of action.

4. What options have been considered and what is the evidence telling us about them?

4.1 This report is in accordance with the Council's Debt Collection Policies.

5. Reasons for recommending preferred option

5.1 This report is in accordance with the Council's Debt Collection Policies.

6. Implications and Considerations

6.1 Delivery of key themes in the Council Plan:

How will the options/proposals in this report contribute to the delivery of the key themes in the Council Plan?

Deliver Value - to maximise income to the Council so services can continue to be delivered

6.2 Implications for children and young people, vulnerable groups and particular communities:

6.2.1 No implications.

6.3 Consultation and Scrutiny:

6.3.1 This report has not been presented to scrutiny.

6.4 Financial implications:

6.4.1 The Council is required to set aside a provision for bad debts in the annual accounts where there is likelihood the debt may not be recovered. There are separate bad debt provisions for Business Rates, Council Tax, Sundry Income, overpaid Housing Benefit and Rents, each being calculated on an age debt basis agreed with our external auditors. The total value of the debts approved for write off can be funded from the appropriate bad debt provision.

6.4.2 The cost of any write-offs for Rent and leaseholders is met from funds set aside in the HRA provision for Bad Debts.

6.5 Legal implications:

6.5.1 None

6.6 Risk implications:

6.6.1 Assessment identified there are no net "red" risks that need to be reported.

6.7 Statutory Equality Duty:

6.7.1 There are no direct equality analysis implications for the write off procedure as it is based on the age of the debt

7. List of appendices referred to:

7.1 Appendix A – Debt and Collection Overview as at 30 June 2018

The following Appendices are not for Publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972

7.2 Appendix B - Business Rates Write Offs over £10,000 to be approved

7.3 Appendix C - Sundry Income Write Offs over £10,000 to be approved

7.4 Appendix D – Business Rates Insolvency Action

8. Background papers used to compile this report

8.1 None

9. List of other relevant documents

9.1 None