

Meeting date: 10 December 2018
Report to: Cabinet Member for Resources and Delivering Value
Subject/report title: Debt Monitoring Report - Quarter 2 2018/19
Report from: Director of Resources and Deputy Chief Executive
Report author/lead contact officer: Jo Robinson Head of Service Income and Awards
joanne.robinson@solihull.gov.uk



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 September 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 September 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 July 2018 and 30 September 2018.
- (c) To approve the write off of Business Rates and Sundry Income debt over £10,000 totalling £26,701.94.
- (d) To approve the recommendation to commence insolvency action for further business rate debts.

- (e) To report on the insolvency trial and approve the recommendation to continue to use insolvency practitioners when appropriate to recover all debt owed to the Council.

3. What is the issue?

- 3.1 This report details the Council's income collection position at the end of Quarter 2 (1 July 2018 to 30 September 2018).
- 3.2 **Council Tax Collection** – At the end of September 2018 the overall Council Tax collection was 58.53%, which is behind by 0.35% compared to this time last year (£413,829 in cash terms).
- 3.3 The collection rate for those receiving council tax reduction (CTR) was 48.81% which was 2.32% ahead of this time last year.
- 3.4 One of the reasons the overall collection rate was behind this time last year was due to the reducing CTR caseload. Compared to 12 months ago there are 1000 fewer CTR recipients therefore we will have more council tax to collect (£271,000) over the course of the financial year.
- 3.5 In addition to the change in caseload, the number of recovery notices issued has reduced this year with 975 fewer reminders and finals being issued compared to the same time last year. There was however, an increase in the number of summonses issued this year; 7,321 compared to 7,140.
- 3.6 Also comparing trends from last year, an additional 3500 customers have opted to pay their council tax over 12 months instead of 10 so more council tax will be collected in the last 2 months of the financial year.
- 3.7 Taking into account the above factors, we are still on track to meet our in year collection target of 98% and our three year collection target in the MTFS of 98.81%.
- 3.8 **Business Rates Collection** – As at the end of September 2018 Business Rates collection was 57.49% which is 0.08% behind this time last year (£96,940 in cash terms). Payments totalling £504,615 were received at 30 September and were allocated to ratepayers accounts in the first few days of the following quarter.
- 3.9 Compared to quarter 2 in the last financial year, 192 fewer reminders, finals and summonses have been issued.
- 3.10 We are on track to meet our in year collection target of 98%.
- 3.11 **Sundry Income Collection** – As at the end of September 2018 Sundry Income collection was 69%, which is 8.27% behind this time last year (£2,549,789.43 in cash terms).
- 3.12 During the last 3 weeks of the quarter, 1805 invoices were raised totalling £4.5 million which meant the payment due date fell in the following quarter. Collection was also impacted as two large invoices were paid late (these were paid in the first week in October totalling £838,507).

3.13 **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 September 2018 overpaid housing benefit debt collection was 65.95% which was ahead of collection by 22.90% compared to last year.

3.14 **Rent Collection** – As at 30 September 2018 rent collection was 97.32% which is 0.03% ahead of this time last year. This is largely down to more tenants having their rent deducted directly from their Universal Credit payments. 741 tenants had these deductions as they were 8 weeks or more in arrears.

3.15 Full details of this year’s collection figures can be found at Appendix A.

3.16 **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.

3.17 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	£29,981.63
Business Rates	£66,553.22
Sundry Income	£39,521.66
Housing Benefit Overpayments	£1898.15
Rents and Leaseholders	£155,665.42

3.18 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 (in the private part of the agenda).

3.19 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.

3.20 **Insolvency Action** – During quarter 2 we have identified a further 5 ratepayers and 1 council tax payer who meet our criteria to progress with insolvency action. Details of

these accounts can be seen in Appendix C (in the private part of the agenda) for your agreement to continue with this next course of action.

- 3.21 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. Details of the action taken since the trial commenced is shown below:

Number of ratepayers reviewed due to having multiple years' debt or no regular payments	Number of ratepayers vetted by Insolvency Practitioners to ascertain if there are assets	Number of ratepayers Cabinet Member agreed to commence insolvency action as at Sept 2018
33	24	7

- 3.22 Of the 7 ratepayers where insolvency action commenced, all were sent letters from the Insolvency Practitioners advising of our intentions. Two ratepayers made contact following this letter to either discuss payment or to question the amount they owe. Of the remaining 5 ratepayers further work is now being carried out to wind up the companies.
- 3.23 Summary of pilot: Although the work in the pilot has not fully concluded, this has given a further option to recover unpaid Business Rate debt using our existing legislative powers. The outstanding debt where Cabinet Member for Resources and Delivering Value agreed to pursue insolvency action at the end of quarter 2 totalled £456,162.64. Taking action may also prevent further debts building in future years.

We propose to continue to use this process to maximise recovery for all Council income using insolvency/bankruptcy where it is a feasible option and present it to Cabinet Member for Resources and Delivering Value in the quarterly debt report. An outline of the proposed process can be seen in Appendix D.

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 September 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 – Business Rates Insolvency Action

7.4 Appendix D – Insolvency Action Process Map

8. Background papers used to compile this report

8.1 None

9. List of other relevant documents

9.1 None