

Meeting date: 23 February 2021
Report to: Cabinet Member for Resources



Subject/report title: Debt Monitoring Report - Quarter 3 2020/21
Report from: Director of Resources and Deputy Chief Executive
Report author/lead contact officer: Joanne Robinson Head of Income and Awards
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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 a high level view of debts owed to the Council and the action taken to recover these as at 31 December 2020. 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 is asked:

- (a) To note the outstanding levels of debt as at 31 December 2020
- (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 October 2020 and 31 December 2020
- (c) To approve the write off of Business Rates, Housing Benefit Overpayment and Council Tax debt over £10,000 totalling £67,662.64.
- (d) To approve the recommendation to continue with the current approach of charging full council tax on empty properties from the date they become unoccupied.

3. Matters for Consideration

- 3.1 This report details the Council's income collection position at the end of quarter 3 (1 October 2020 to 31 December 2020).
- 3.2 Due to the impact of Covid-19, many residents and businesses encountered difficult financial circumstances. In response the Council did not issue any payment reminder notices since the lockdown began for council tax, business rates, sundry income and overpaid housing benefit until quarter 2 2020/21.
- 3.3 In July "soft reminders" were issued with the aim to remind customers of their overdue instalments. Following this, if payment was not made our normal recovery cycle commenced. This took place between August and September 2020. Therefore customers received an additional reminder.
- 3.4 Since the start of the lockdown only priority hearings have taken place in the courts which prevented liability order hearings for council tax and business rates taking place (which typically would have happened in quarter 1). In previous years we have held liability hearings fortnightly. The first hearing for any overdue council tax instalments from April 2020 (or for previous year's debts) took place in October 2020 and there was a further hearing in November 2020. The first business rate liability hearing took place after Quarter 3 on 6 January 2021.
- 3.5 Jacobs Enforcement Agents (who collect income on our behalf) did not undertake any visits to domestic or business premises from 23 April 2020 until 24 August 2020 for previous year's debts and amounts owing for this financial year were passed to them in quarter 3 2020/21 (whereas normally this would happen in June).
- 3.6 Nationally in October 2020 the average collection rates for local authorities were down by 0.8% for Council Tax and 8% for business rates. The collection rates in the West Midlands at the end of Quarter 3 can be seen below:

	Council Tax Collection Rate 2020/21 at 31 Dec 2020	NNDR Collection Rate 2020/21 as at 31 Dec 2020
Birmingham	77.09%	77.53%
Coventry	81.89%	77.30%
Dudley	83.20%	69.3%
Sandwell	80.11%	77.05%
Solihull	85.20%	77.55%
Walsall	75.10%	72.90%
Wolverhampton	73.29%	70.71%

- 3.7 **Council Tax Collection** – At the end of December 2020 the overall Council Tax collection was 85.20%, which is behind by 0.75% compared to this time last year (£956,783.36 in cash terms). The above factors meant normal collection activities were not carried out until later in the year.
- 3.8 During quarter 3 we have continued to support many customers to pay their council tax through flexible payment arrangements and signposted customers for additional financial support.
- 3.9 The collection rate for those receiving council tax reduction (CTR) was 66.43% which is 3.07% behind this time last year (£53,765.68 in cash terms).
- 3.10 **Council Tax for Empty Properties**
- 3.11 It was agreed by full council in 2014 that full council tax would be charged on empty properties from the date they became unoccupied. It is recommended that we continue with this approach.
- 3.12 For any ratepayer who is experiencing financial hardship as a result of their council tax liability the Council has a Council Tax Discretionary Reductions Policy. The revised policy was approved on 2 June 2020. The policy is available to anyone experiencing financial hardship and to those who have experienced a specific crisis that means their property is uninhabitable.
- 3.13 **Business Rates Collection** – As at the end of December 2020 Business Rates collection was 77.55% which is 4.94% behind this time last year (£3,332,259.54 in cash terms).
- 3.14 Again issuing a soft reminder and our normal payment reminders in quarter 2 (instead of quarter 1) impacted on collection but we have continued to make payment arrangements and signposted businesses to claim the various business grant schemes since the first lockdown in March 2020. As mentioned in 3.4 the first liability court hearing took place in Quarter 4 on 6 January 2021.
- 3.15 **Sundry Income Collection** – As at the end of December 2020 the in year Sundry Income collection was 68.93%, which is 9.57% behind this time last year (£4,030,398.51 in cash terms).
- 3.16 During quarter 3 due to the pandemic we continued to issue reminder notices and made outbound calls to customers with large outstanding balances to encourage them to pay.
- 3.17 One customer had a large balance outstanding covering several invoices totalling £1.99m. Discussions with the organisation and the relevant Head of Service took place during Quarter 3 and payment has since been made.
- 3.18 Furthermore 31 invoices totalling £3.17m were issued to NHS Birmingham and Solihull CCG where payment was due in the final days of quarter 3. These debts were escalated with the appropriate managers within the NHS and payment has since been made in the early part of Quarter 4.

- 3.19 **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.
- 3.20 At the end of December 2020 overpaid housing benefit debt collection was 114.33% which is ahead of collection by 17.51% compared to last year.
- 3.21 We continued to receive regular income through deductions from earnings, through previous arrangements and ongoing benefit deductions which were in place prior to the lockdown.
- 3.22 **Rent Collection** – As at 31 December 2020 rent collection was 96.78% which is 0.49% behind this time last year (£162,936.05 in cash terms). The main reason collection was behind is due to the increased numbers of customers claiming Universal Credit (UC) and changes to enforcement processes due to Covid-19. Some of the changes included notice of seeking possession claims requiring 6 month notice prior to court rather than 4 weeks, cases being re-entered into court now require a re-activation notice and an embargo placed on evictions.
- 3.23 At the end of quarter 3, 4,629 requests for housing costs have been made to DWP compared to 3,503 at this time last year, this is an increase of 1,126. Although more customers are claiming UC, more tenants are receiving advanced UC payments to use for their rent whilst their UC claim is being processed.
- 3.24 For those tenants who are claiming UC and either there is vulnerability or their rent is more than 8 weeks in arrears Solihull Community Housing (SCH) are able to refer cases to the DWP via a dedicated landlord portal. The DWP will then pay the tenants housing costs directly to SCH - this is known as a third party payment. The number of tenants for which SCH are receiving a third party payment has increased from 863 to 911 compared to this time last year.
- 3.25 Following the commencement of all recovery activities in quarter 3, we are monitoring the impact of Covid-19 on our collection rates for council tax, business rates, sundry income, overpaid housing benefit and rents.
- 3.26 Full details of this year's collection figures can be found at Appendix A.
- 3.27 **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.
- 3.28 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 the authorised write offs during quarter 3 are detailed in the table below:

Council Tax	£89,381.26
Business Rates	£0.00
Sundry Income	£150,180.08
Housing Benefit Overpayments	£25,334.89
Rents and Leaseholders	£181,174.10

3.29 Debts over £10,000 have to be authorised by the Cabinet Member for Resources. The latest debts to be considered for write off that are over £10,000 can be found at Appendix B & C (in the private part of the agenda).

3.30 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.

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 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
Economy: 1. Revitalising our towns and local centres. 2. UK Central (UKC) and maximising the opportunities of HS2. 3. Increase the supply of housing, especially affordable and social	We raise income in excess of £307 million each year in Council Tax, Business Rates, Sundry Income, overpaid Housing Benefit and Rents which funds public services.

housing.	
<p>Environment:</p> <p>4. Enhance Solihull's natural environment.</p> <p>5. Improve Solihull's air quality.</p> <p>6. Reduce Solihull's net carbon emissions.</p>	
<p>People and Communities:</p> <p>7. Take action to improve life chances in our most disadvantaged communities.</p> <p>8. Enable communities to thrive.</p> <p>9. Sustainable, quality, affordable provision for adults & children with complex needs.</p>	

6.2 Consultation and Scrutiny:

6.2.1 This report has not been presented to scrutiny.

6.3 Financial implications:

6.3.1 The Council is required to set aside impairment allowances in the annual accounts where there is likelihood that debt may not be recovered. There are separate impairment allowances for business rates, council tax, sundry income, overpaid housing benefit and HRA rents, each being calculated on an age debt basis apart from HRA rents which is calculated on the value of the debt. The total value of the debts approved for write off can be funded from the appropriate impairment allowance.

6.3.2 The cost of any write-offs for rent and leaseholders is met from funds set aside in the HRA impairment allowance

6.3.3 Any reduction in collection rates as a result of Covid-19 will be kept under close review as part of the monthly reporting to the officer group called the Aligning Resources to Our Priorities (ARTOP) Board. These will also be reported as part of the financial update reports to the Resources and Delivering Value Scrutiny Board.

6.4 Legal implications:

6.4.1 None

6.5 Risk implications:

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

6.6 Equality implications:

6.6.1 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 31 December 2020

The following Appendices are not for Publication by virtue of paragraphs 3 and 7 of Schedule 12A of the Local Government Act 1972

7.2 Appendix B- Business Rate write off over £10,000 to be approved

7.3 Appendix C – Housing Benefit Overpayment (including a Council Tax debt) write off over £10,000 to be approved

8. Background papers used to compile this report

8.1 None

9. List of other relevant documents

9.1 None