

SUBJECT:	INCOME AND ARREARS MONITORING
DIRECTORATE:	CHIEF EXECUTIVE
REPORT AUTHOR:	MARTIN WALMSLEY, HEAD OF SHARED REVENUES AND BENEFITS

1. Purpose of Report

- 1.1 To update Members on the position with regard to amounts of monies owed to the City Council as at 1st April 2021, (and Business Improvement District (BID) levy to the end of June 2021).

2. Executive Summary

- 2.1 This update is provided to Members of this Committee each year once all figures have been collated.
- 2.2 The report summarises the in-year collection of Council Tax, Business Rates, the Business Improvement District (BID) levy, Housing Rents, Former Tenant Rent Arrears, Sundry Debtors and Housing Benefit Overpayments to the 31st March 2021, and sets out the arrears brought forward position at 1st April 2021, (BID to the end of June 2021).
- 2.3 The impacts of Covid-19 have, understandably, been significant with regard to impacting on collecting monies due to the Council – with many businesses and taxpayers suffering financial hardship. This in turn impacts on officers' ability to recover monies in as prompt manner as would have been the case in previous years.

3. Background

- 3.1 2020/21 was a year of unprecedented challenges for the Revenues and Benefits service, mainly due to the Covid-19 pandemic, but also due to the continuing rollout of Universal Credit in Lincoln as well as the cumulative effect of welfare reforms.

4. Council Tax Collection

- 4.1 The Council Tax net collectable debit for 2020/21 after Council Tax Support, discounts and exemptions had been granted was £45,062,366. This is an increase of £727,545 from 2019/20.
- 4.2 Total payments received in respect of 2020/21 were £42,711,912 This is an increase of £190,894 from 2019/20.
- 4.3 For the financial year 2020/21, in-year collection is down by 1.99%, compared to

2019/20. 2020/21 in-year collection is 94.78%, compared to 96.77% in 2019/20. Due to the financial impacts of Covid-19 on residents' incomes, officers have been allowing deferrals of payments in relevant circumstances, although this means that these deferred monies will still need to be collected – however over an extended period. Also, only two court dates were available during 2020/21 (due to Covid-19 restrictions) – this compares to previous years when courts have been utilised on a monthly basis. The lack of court action understandably impacted on officers' ability to progress recovery action for Council Tax.

Therefore, in the current climate, this reduced level of collection is not unexpected. Whilst every effort is being made to collect monies due, this is a real challenge – and, with the latest Covid-19 lockdown 'lifting' being part of a longer-term roadmap, as well as removal of certain national 'protections' being lifted – such as the furlough scheme ending after September 2021 – is unlikely to improve to any significant degree in the immediate future.

4.4 The circumstances as set out in paragraph 4.3 (above) has also impacted on the level of arrears. Council Tax arrears brought forward on 1st April 2020 and 1st April 2021, are shown below:

Council Tax	2019/20	Council Tax	2020/21	Increase/decrease
Value of accounts in credit for the years before 2019/20	-£871,737	Value of accounts in credit for the years before 2020/21	-£1,012,223	Increase 140,487
Value of accounts in debit for the years before 2019/20	£3,472,427	Value of accounts in debit for the years before 2020/21	£4,241,814	Increase £769,387
Value of accounts in credit in 2019/20	-£749,421	Value of accounts in credit in 2020/21	-£900,943	Increase £151,522
Value of accounts in debit in 2019/20	£2,275,323	Value of accounts in debit in 2020/21	£3,319,167	Increase £1,043,844
Overall credits brought forward into the 2020/21	-£1,621,158	Overall credits brought forward into the 2021/22	-£1,913,166	Increase £292,008
Overall debits brought forward into 2020/21	£5,747,749	Overall debits brought forward into 2021/22	£7,560,980	Increase £1,813,231
Number of arrears cases	14,871	Number of arrears cases	34,790	Increase 19,919

The balance of debits brought forward into 2020/21 was £5,747,749 and this reduced to £4,241,814 by 31st March 2021, a reduction of £1,505,935.

The balance of credits brought forward into 2020/21 was £1,621,158, which reduced to £1,012,223. Some of this reduction will be due to refunds, but otherwise these credits will have been offset against the 2020/21 debit.

4.5 The new arrears figure of £7,560,980 brought forward represents; the balance of arrears outstanding from previous years at 31st March 2020 as set out in 4.4 above, the Council Tax due in 2020/21 and not collected, court costs raised in 2020/21 and still unpaid, other adjustments made in 2020/21 in respect of previous years, and

excludes any credits held.

4.6 In terms of the amount of Council Tax written-out during the financial year 2020/21 (which could be outstanding Council Tax from any financial year), the figure was £182,156. This compares to £206,855 written-out during 2019/20.

4.7 It is important to note that just because a debt has been written-out, this does not mean it cannot be written back on and collected if new information is received. During 2020/21, £7,863 was written back on.

5. Business Rates Collection

5.1 The Business Rates net collectable debit for 2020/21 after empty voids, charity entitlements and other reliefs had been granted was £18,520,249. This is a decrease of £26,029,198 from 2019/20. However, a key factor to be considered is that the key reason for this reduction in net collectable debit for 2020/21, was due to the new 'Expanded Retail Discount' (ERD) – which totalled £27,223,525 for 2020/21.

5.2 Total payments received in respect of 2020/21 were £18,328,636. This is a decrease of £25,979,471 from 2019/20. The key reason again for this, was the significant award of ERD.

5.3 Business Rates arrears brought forward from all previous years at 1st April 2020 was £1,076,583.70 . By 31st March 2021 these arrears had decreased to £456,079.

5.4 The table below shows comparisons between 2019/20 and 2020/21 in respect of; in-year collection rate, arrears brought forward and number of arrears cases.

Business Rates	2019/20	2020/21	Increase/ (Decrease)
Collection Rate	98.89%	98.97%	0.08%
Arrears @ 1 st April (Value)	£1,076,584	£880,830.53	Decrease 195,753.47
Arrears @ 1 st April (Cases)	103	94	Decrease 9

The improvement in collection rate is largely due to the demographic of business types, being somewhat 'skewed' by the new reliefs available this year in light of the new measures announced as part of the government's Covid-19 response, predominantly the ERD – as detailed in paragraph 5.1. ERD has been reduced from 100% relief to 66% from 1st July 2021 (up to 31st March 2022), - so it is anticipated the real impacts of Covid-19 on Business Rates collection will be seen in 2021/22 and beyond.

5.5 The new arrears figure of £880,830 brought forward represents; the balance of arrears outstanding from previous years at 31st March 2020 as set out in 5.3 above, the Business Rates due in 2020/21 and not collected, the balance of court costs raised in 2020/21 and still unpaid, any other adjustments made in 2020/21 in respect

of previous years, and excludes credits.

- 5.6 In terms of the amount of Business Rates written-out during the financial year 2020/21 (which could be outstanding Business Rates from any financial year), the figure was £180,736.27. This compares to £560,223.36 written-out during 2019/20.
- 5.7 As with Council Tax, it is important to note that just because a debt has been written-out, this does not mean it cannot be written back on and collected if new information is received. During 2020/21, £62,636 was written back on.

6. Business Improvement District (BID) Levy Collection 2020/21

- 6.1 Members will be aware that the Authority is responsible for the administration and collection of the BID Levy.
- 6.2 The BID financial year runs from July to June and the figures given below represent collection up to the end of June 2021.
- 6.3 The 2020/21 net collectable debit raised in respect of the Levy was £410,941.
- 6.4 A comparison of in-year collection rates between the BID financial years ending 30th June 2020 and 30th June 2021 is shown in the table below. Although a reduction in in-year collection, - the unprecedented difficult year for businesses due to the Covid-19 pandemic cannot be underestimated. Also, to put the reduction in collection into context, the 5.60% reduction in collection equates to £23,012. Informal feedback received indicates that the outturn performance of 91.69% is favourable compared to a number of other BID areas in the country.

Year ending 30 th June 2021	91.69%	Decrease 5.60%
Year ending 30 th June 2020	97.29%	

7. Housing Rents Collection

- 7.1 The net Housing Rent debit for 2020/21 (collectable rent) excluding Housing Benefits, Universal Credit and other adjustments was £14,453,666 of which 97.60% was collected. This is a decrease of 0.17% on 2019/20 collection of 97.77%.
- 7.2 For administration purposes, Housing Rent Arrears are split between 'current' and 'former' tenants. The table below shows comparisons between 2019/20 and 2020/21 in respect of: in-year collection rate, arrears brought forward and number of arrears cases.

Housing Rents		2019/20	2020/21	Increase/ (Decrease)
Collection	Rate	97.77%	97.60%	- 0.17%

(including arrears/credits b/f)			
Collection Rate (excluding arrears/credits b/f)	100.00%	99.46%	- 0.54%
Arrears @ 1 st April (Value)	£1,794,240	£1,985,838	+ £191,598
- Current	£825,238	£1,060,439	+ £235,201
- Former	£969,002	£925,399	- £43,603
Arrears @ 1 st April (Cases)	2,346	2,440	+ 94

7.3 Central government's restrictions on enforcement action for rent arrears in response to the Covid-19 pandemic has meant a challenging year for income collection. Whilst Tenancy Services has continued to support tenants through the Hardship Fund, Discretionary Housing Payments (DHP) and general advice and guidance, it has not permitted the team to take robust action when tenants have the means to pay but fail to do so.

In year collection as of the end of March reached 99.46% ahead of the 98% collection target.

Arrears overall increased to £1,060,439 compared to £825,237 at the end of March 2020, an increase of £235,201 resulting in arrears as a % of the debit standing at 3.75%, only marginally ahead of the 3.65% target.

Universal Credit claims for City of Lincoln Council tenants have continued to increase with 727 more Universal Credit claims this financial year with arrears across all 2,145 claims standing at £625,765, an increase of £222,100 compared to the same point last year.

Tenancy Services continue to focus on rent collection and income maximisation for tenants and are committed to reducing the arrears over this coming financial year.

7.4 Former tenant arrears collection for 2020/21 was 38.33%.

8. Sundry Debtors Collection

8.1 A total of 11,714 new debtor accounts were raised in 2020/21 amounting to £14,390,333 in cash terms.

8.2 The table below shows comparisons between 2019/20 and 2020/21 in respect of arrears brought forward and number of arrears cases.

Sundry Debtors	2019/20	2020/21	Increase/ (Decrease)
Arrears @ 1 st April	£2,502,273	£3,522,367	£1,020,094

(Value)			
Arrears @ 1 st April (Cases)	3,771	4291	Increase 520

Sundry debt invoices to the value of £4,808,624.58 were raised in March 2021, with expectation that some of these would not be paid in year (i.e. in 2020/21). The collection rate for 2020/21 was 84.84% - this is a decrease from 2019/20 of 6.2%. The issue of raising large invoices towards the end of the financial year has been an ongoing problem for collection as these invoices are not due to be paid for approximately 28 days and businesses do not generally pay as soon as they get the bill. Therefore raising an invoice in March 2021 would generally mean that this is not paid before 1st April 2021. For the year 2020/21, 33% of the annual debt was raised in March 2021.

9. Housing Benefit Overpayments Collection

- 9.1 The balance of outstanding Housing Benefit Overpayments as at 1st April 2021 was £3,153,505 and compares to £3,573,112 at 1st April 2020, a decrease of £419,607 .
- 9.2 A total of £637,864 in Housing Benefit overpayments was raised in 2020/21. Total credits received in 2020/21 were £1,025,966 – this includes card payments, direct deductions from ongoing benefit, payments from our collection agents, underlying entitlement and payments via attachments from the Department for Work and Pensions (DWP) and employers.
- 9.3 The total number of cases with a debt outstanding in the Debtors system at the 1st April 2021 was 2,201.

The table below shows comparisons between 2019/20 and 2020/21 in respect of arrears brought forward and number of arrears cases in the Debtors system.

Housing Benefit Overpayments	2019/20	2020/21	Increase/ (Decrease)
Arrears @ 1 st April (Value)	£3,573,112	£3,153,505	(£419,607)
Arrears @ 1 st April (Cases)	2,866	2,201	(665)

10. Strategic Priorities

- 10.1 Let's reduce inequality: The Revenues and Benefits Service has a key role in reducing poverty and disadvantage; by ensuring residents receive the benefits they are entitled to, providing money/debt advice, as well as collecting monies due to the Council in line with a Fair Collection and Debt Recovery Policy.

11. Organisational Impacts

- 11.1 Financial: Prompt and efficient recovery of amounts due to the Council helps to ensure that income receivable is collected in order to finance critical services.
- 11.2 Legal Implications including Procurement Rules: There are no direct legal implications from this report.

12. Risk Implications

- 12.1 A Risk Register is in place for the Revenues and Benefits shared service.

13. Recommendation

- 13.1 Members are asked to note the contents of this report.

Key Decision No

Do the Exempt Information Categories Apply? No

Call in and Urgency: Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply? No

How many appendices does the report contain? None

List of Background Papers: None

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