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# **Merton Council**

## **Cabinet**

**8 February 2021**

### **Supplementary agenda**

4 Financial Monitoring report 2020/21 - December 2020  
Appendix 8

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**Urgent report:**

Reason for urgency: The chair has approved the submission of this report as a matter of urgency as it provides the latest available monitoring information for 2020/21. This requires consideration as it has implications for current and future years' budget monitoring and management.

## Appendix 8

### Subject: Miscellaneous Debt Update December 2020

#### 1. LATEST ARREARS POSITION – MERTON'S AGED DEBTORS REPORT

- 1.1 A breakdown of departmental net miscellaneous debt arrears, as at 31 December 2020, is shown in column F of the table below.
- 1.2 Please note that on the 6 February 2017 the new financial computer system E5 went live and this included the raising and collection of invoices and the debt recovery system.

Sundry Debtors aged balance – 31 December 2020 – not including debt that is less than 30 days old (Please note the new system reports debt up to 30 days whereas previously we reported up to 39 days)

Department a	30 days to 6 months b	6 months to 1 year c	1 to 2 years d	Over 2 years e	Dec 20 arrears f	Sept 20 arrears g	Direction of travel
	£	£	£	£	£	£	
Env & Regeneration	3,471,264	923,799	1,526,707	305,707	6,227,477	5,060,743	↑
Corporate Services	763,750	168,952	59,652	121,564	1,113,919	665,676	↑
Housing Benefits	241,489	546,400	764,427	3,491,486	5,043,802	5,080,637	↓
Children, Schools & Families	451,805	156,433	137,604	413,473	1,159,314	903,145	↑
Community & Housing	1,114,765	834,444	741,189	2,447,971	5,138,369	4,956,594	↑
Chief Executive's					-	-	-
CHAS 2013	94,041	17,239	1,405	-2,077	110,608	99,882	↑
<b>Total</b>	<b>6,137,114</b>	<b>2,647,267</b>	<b>3,230,984</b>	<b>6,778,124</b>	<b>18,793,489</b>	<b>16,766,678</b>	<b>↑</b>

- 1.3 Since the position was last reported on 30 September 2020, the net level of arrears, i.e. invoices over 30 days old, has increased by £2,026,811. Almost the same amount it reduced by between the end of June and end of September.
- 1.4 Since last reported at the end of September, Environmental and Regeneration has increased by £1,166,734 Community Infrastructure debt has increased by £1.2 million.
- 1.5 The process for collecting CIL debt is being reviewed with the service department to see if there is a more effective way. Consideration is being given to the CIL team being more directly involved with initial decision making to identify the appropriate recovery action required.
- 1.6 Corporate Services debt has increased by £448,243 since last reported in September 20. There has been a £475,000 increase in debt owed to the Legal Service.
- 1.7 The debt recovery team continue to proactively pursue all outstanding sundry debt, working with service departments to improve collection.

## **2 IMPACT OF COVID19**

- 2.1 Towards the end of March 20, all recovery action for council tax, business rates, sundry debt, parking PCN's and enforcement work ceased.
- 2.2 The new years council tax and business rates bills had already been distributed to residents and businesses in the borough.
- 2.3 **Council Tax**
- 2.4 From early April residents who contacted the service were offered advice on claiming welfare benefits and deferral of council tax instalments to June or July. The yearly debt was not reduced but the amount due spread over the remaining months of the year. Approximately 2,700 residents have had instalments deferred.
- 2.5 Recovery action for non-payment of council tax re-commenced in May with reminders and SMS being issued. Recovery action has continued although we have not yet issued summonses for non-payment.
- 2.6 The Council held a remote Liability Order Hearing with Wimbledon Magistrates Court on 9 December. This pilot with the Court Service was successful and we obtained 1,400 liability orders, had 130 debts paid in full and 200 payment arrangements agreed. No further hearing dates have been supplied by the Court Service yet.

- 2.7 When last reported at the end of September, the forecasted shortfall in council tax income for the year was £2.777 million, Merton's share of this shortfall would be £2.19 million.
- 2.8 At the end of December, the forecasted shortfall in council tax income for the year had increased to £2.838 million, Merton's share of this shortfall would be £2.240 million.
- 2.9 **Business Rates**
- 2.10 From early April businesses who contacted the service were offered advice on government support and grants and offered the deferral of business rates instalments to June or July. The yearly debt was not reduced but the amount due spread over the remaining months of the year. Approximately 750 businesses have had instalments deferred
- 2.11 The government introduced new reliefs for many businesses. Over £44.8 million in expanded retail, hospitality and leisure relief has been granted to businesses. In addition, a further £799,000 relief has been awarded to nurseries
- 2.12 At the beginning of the year the net debt for all business rates was £95 million. Following the award of the reliefs mentioned above the net debt now being collected is £49 million
- 2.13 An analysis of outstanding debt showed many businesses that should be able to pay their rates had not paid. This included large supermarket retailers, delivery companies and large institutions. There were also many businesses that were not be in a position to pay due to the impact of covid19. Reminder notices for non-payment were issued in August 20. Businesses were asked to contact the team if they were having difficulty paying and in these instances we have further deferred payments and spread payment arrangements into 2021/22.
- 2.14 When last reported at the end of September, the forecasted shortfall in business rates income for the year had reduced to £6.92 million, Merton's share of this shortfall would be £2.07 million.
- 2.15 At the end of December, the forecasted shortfall in business rates income for the year had reduced to £5.149 million, Merton's share of this shortfall would be £1.544 million.
- 2.16 **Sundry Debt**
- 2.17 Invoices have continued to be issued since April. Commercial rent clients have had their first quarter invoice deferred and payments spread across the remainder of the year

- 2.18 Issuing of letters for non-payment was recommenced in early June although not for Commercial rent clients
- 2.19 As detailed in the table above in 1.2, debt older than 30 days for all departments has increased since September 20 by just over £2 million.
- 2.20 Recovery action has continued on existing long term cases although the team have not been able to undertake visits and the legal service recovery has been affected with reduced court access.
- 2.21 Adult Social Care debt has reduced from £4.3 million at the end of September 20 to £4.237 million at the end of December 20. A small reduction of £63,000 over the past three months.
- 2.22 **Housing Benefit Overpayments**
- 2.23 Invoices have continued to be issued for new debts but no other recovery action has re-commenced.
- 2.24 Housing Benefit overpayment debt has reduced from £7.61 million in September 20 to £7.34 million at the end of December 20.
- 2.25 **Parking Debts**
- 2.26 Where parking enforcement has continued the service have progressed cases to Charge Certificate stage.
- 2.27 When last reported there were 4,500 cases waiting to be progressed to Debt Registration stage. This has been reduced to 1,489. Cases are now being passed to the Enforcement team where they remain unpaid.
- 2.28 **Enforcement service (bailiffs)**
- 2.29 Enforcement Agents ceased visits in March before the Government formally announced a stop to enforcement work.
- 2.30 In May 20, Councillors agreed to re-engagement by letter and text with existing debtors with a more customer focused approach offering welfare advice and longer term arrangements.
- 2.31 In June 20, the enforcement admin team were furloughed by agreement of the Shared Enforcement Service Board.
- 2.32 Re-engagement letters were issued in late September 20 and the in house team re-commenced enforcement visits on 6 October 20 for Merton and Sutton parking debts only.
- 2.33 Risk assessments, new working procedures, refresher training have all been completed. All enforcement agents have been provided with PPE

and have been instructed on undertaking covid-19 assessments within their work.

- 2.33 Enforcement action recommenced for Merton council tax cases in November. The amount of debt and fees collected by the team for the three month period October to December is considerably lower than prior to the pandemic. This is to be expected as Enforcement Agents are restricted with the action they can take.

### 3. TOTAL DEBT DUE TO MERTON

The total amount due to Merton as at 31 December 2020 is detailed in the table below.

Total debt outstanding as at 31 December 2020 and compared with previous periods over the past 15 months

	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
	£	£	£	£	£	£
Miscellaneous sundry debt Note 1	16,459,168	12,584,544	15,997,460	18,485,599	15,943,871	16,453,772
Housing Benefit debt	7,823,641	7,653,539	7,644,804	7,758,894	7,611,691	7,342,968
Parking Services	3,848,876	4,183,930	3,489,345	3,645,037	3,967,251	4,895,362
Council Tax Note 2	6,825,605	6,496,094	8,755,512	8,182,271	7,721,592	7,139,145
Business Rates Note 3	2,474,270	1,941,014	3,661,859	3,725,128	3,689,921	3,611,524
<b>Total</b>	<b>37,431,560</b>	<b>32,859,121</b>	<b>39,548,980</b>	<b>41,796,929</b>	<b>38,934,326</b>	<b>39,442,771</b>

Note 1 The amount shown against miscellaneous sundry debt above differs from the amount shown in table 1 as it shows all debt, including debt which is less than 30 days old and table 1 only includes debt over 30 days old and also includes housing benefit overpayments which is shown separate in the table above.

Note 2 Council tax debt now includes unpaid council tax for 2019/20 in March 20 figures hence the increase.

Note 3 Business rates debt now includes unpaid business rates for 2019/20 in March 20 figure hence the increase.

- 3.1 The overall debt outstanding has increased by £508,445 since last reported at the end of September 2020. There has been an increase in sundry debt of £509,901 and in parking debt of £928,111. All other debts have reduced.

3.2 A more relevant comparison is between December 2019 and December 2020. The changes in outstanding debt are as follows

Overall £6,583,650 increase  
 Sundry debt £3,869,228 increase  
 Housing Benefit £310,571 decrease  
 Council Tax £643,051 increase  
 Parking £711,432 increase  
 Business Rates £1,670,510 increase

3.3 The increase in previous years debts for council tax and business rates is very likely due to the fact that we have not undertaken normal recovery action and have not issued summonses for previous years debts.

3.4 Detailed breakdowns of the Council Car Parking figures are shown in the table below:

**Car Parking Aged Debtors – 30 December 2020  
 (They show the impact of Covid19)**

Age of Debt	Outstanding £	Number of PCNs	Average Value £
0-3 months	£1,150,770	10,367	£111
3-6 months	£767,043	4,967	£154
6-9 months	£309,043	1,750	£176
9-12 months	£455,350	2,501	£182
12-15 months	£575,338	3,182	£180
Older than 15 months	£1,637,818	9,138	£179
<b>Total</b>	<b>£4,895,362</b>	<b>31,905</b>	<b>£153</b>
<b>Total September 2020</b>	<b>£3,967,251</b>	<b>27,892</b>	
<b>Increase/-decrease</b>	<b>+£928,000</b>	<b>+4,013</b>	

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