

## Appendix 8

### Subject: Miscellaneous Debt Update September 2020

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

- 1.1 A breakdown of departmental net miscellaneous debt arrears, as at 30 September 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 – 30 September 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	Sept 20 arrears f	June 20 arrears g	Direction of travel
	£	£	£	£	£	£	
Env & Regeneration	2,173,844	1,957,688	628,897	300,314	5,060,743	3,927,486	↑
Corporate Services	400,979	65,075	80,406	119,216	665,676	1,557,920	↓
Housing Benefits	322,104	701,078	841,387	3,216,068	5,080,637	5,140,971	↓
Children, Schools & Families	282,702	91,912	133,394	395,137	903,145	1,495,531	↓
Community & Housing	789,931	870,701	923,366	2,372,596	4,956,594	6,586,994	↓
Chief Executive's					-	-	-
CHAS 2013	77,919	22,874	1,166	-2,077	99,882	61,264	↑
<b>Total</b>	<b>4,047,479</b>	<b>3,709,327</b>	<b>2,608,616</b>	<b>6,401,255</b>	<b>16,766,678</b>	<b>18,770,166</b>	↓

- 1.3 Since the position was last reported on 30 June 2020, the net level of arrears, i.e. invoices over 30 days old, has reduced by £2,003,488.
- 1.4 Since last reported at the end of September, Environmental and Regeneration has increased by £1,133,257. Commercial rents debt has increased by £143,000 and Community Infrastructure debt by £1,382,000.

- 1.5 There has been an increase in CIL debt due to a number of large invoices being raised in September 20. As at the 30 September there is £4.6 million in outstanding invoices, this includes debt under 30 days so will not reconcile with the data in the above table. However, £1.3 million of this debt is less than 30 days old. In many instances although the invoices have been raised within E5, due to the agreements on CIL debts, the payments are not due until future dates.
- 1.6 In September 20, 4 invoices for just over £0.8 million were raised for the redevelopment of Plough Lane. The payments dates due on these invoices range from 12 December 20 to 14 April 21. These amounts will show on the aged debt reports but will not actually be due to the council.
- 1.7 In total, of the £4.6 million debt for CIL, £0.8 million is due after the 1 October and a further £441,000 of debt has been deferred under the new deferral scheme.
- 1.8 In the March 20 update it was reported that one CIL debt for £823,000 had been referred to legal to pursue. There has been ongoing communication between legal services and the finance director and they have been given a further two months to re-finance with their bank.
- 1.9 The debt recovery team continue to work closely with the Future Merton team to ensure a joined up approach to collecting all CIL debts.

## **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 is still waiting for confirmation from the Court Service that remote Liability Order Hearings can be re-commenced. An action plan and risk assessment has already been undertaken. As soon as the Court Service give the go-ahead the issuing of summonses will re-commence.
- 2.7 When last reported at the end of June, the forecasted shortfall in council tax income for the year was £3.88 million, Merton's share of this shortfall would be £3.06 million.
- 2.8 At the end of September, the forecasted shortfall in council tax income for the year had reduced to £2.77 million, Merton's share of this shortfall would be £2.19million.
- 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 £44.7 million in expanded retail, hospitality and leisure relief has been granted to businesses. In addition, a further £829,000 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 June, the forecasted shortfall in business rates income for the year had reduced to £10.333 million, Merton's share of this shortfall would be £3.1 million.
- 2.15 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.
- 2.16 **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 2.2, debt older than 30 days for all departments has increased reduced since June 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 Although not reported in June, Adult Social Care debt has reduced from £4.65 million at the end of March 20 to £4.3 million at the end of September 20. A reduction of £300,000 over the past six 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 Although not reported in June, Housing Benefit overpayment debt has reduced from £7.76 million in June 20 to £7.61 million at the end of September 20.
- 2.25 The external company undertaking the work on the old debt had stopped with engaging with clients and as a result the monthly payments received from them reduced. They recommenced this work in mid-September.
- 2.25 **Parking Debts**
- 2.26 Where parking enforcement has continued the service have progressed cases to Charge Certificate stage.
- 2.27 There are currently 4,991 cases waiting to be progressed to Debt Registration stage and then progressed to the enforcement team where the debts remain unpaid. Two batches of 300 cases are progressed each week and where the debts remain unpaid the files will be passed to the enforcement team. It is estimated that the first cases will come from week commencing 10 November 20.
- 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 A review of progress will be held in late October with the aim of re-commencing enforcement work for council tax in early November.

### 3. TOTAL DEBT DUE TO MERTON

The total amount due to Merton as at 30 September 2020 is detailed in the table below.

Total debt outstanding as at 30 September 2020 and compared with previous periods over the past 15 months

	<b>Jun-19</b>	<b>Sep-19</b>	<b>Dec-19</b>	<b>Mar-20</b>	<b>Jun-20</b>	<b>Sep-20</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Miscellaneous sundry debt Note 1	16,803,235	16,459,168	12,584,544	15,997,460	18,485,599	15,943,871
Housing Benefit debt	7,893,055	7,823,641	7,653,539	7,644,804	7,758,894	7,611,691
Parking Services	4,535,378	3,848,876	4,183,930	3,489,345	3,645,037	3,967,251
Council Tax Note 2	7,215,847	6,825,605	6,496,094	8,755,512	8,182,271	7,721,592
Business Rates Note 3	2,586,876	2,474,270	1,941,014	3,661,859	3,725,128	3,689,921
<b>Total</b>	<b>39,034,391</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>

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 reduced by £2,862,603 since last reported at the end of June 2020. There has been an increase in parking debt of just over £320,000. All other debts have reduced.

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

Overall £1,502,000 increase  
 Sundry debt £515,000 decrease  
 Housing Benefit £212,000 decrease  
 Council Tax £896,000 increase  
 Parking £119,000 increase  
 Business Rates £1,785,000 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 issued any summonses for non-payment. Hopefully, this may improve once we get agreement by the Courts Service for remote hearings.

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

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

Age of Debt	Outstanding £	Number of PCNs	Average Value £
0-3 months	£1,059,530	10,776	£98
3-6 months	£400,140	2,618	£153
6-9 months	£539,570	3,169	£170
9-12 months	£682,651	3,948	£173
12-15 months	£540,200	3,178	£170
Older than 15 months	£745,160	4,203	£176
<b>Total</b>	<b>£3,967,251</b>	<b>27,892</b>	<b>£142</b>

**Total June 2020**                      **£3,645,037**                      **24,701**

**Increase/-decrease**                      **£322,214**                      **3,191**