

Title:	Corporate Debt Management - Position as at 31 March 2024
Meeting:	Cabinet
Date:	24 June 2024
Classification:	Part 1
Policy Context:	All Corporate Priorities
Key Decision:	No
Report Authors:	Pete Bates, Director of Financial Services, Richard Campbell, Revenues Manager
Executive Councillor:	Councillor Collins – Cabinet Member for Finance, Assets and Investments

1. Executive Summary

1.1. The purpose of this report is to update Cabinet of the following:

- The cumulative position of outstanding debt owed to the City Council as at 31 March 2024.
- Debts that have been written off, or are recommended for write off, for the financial year to 31 March 2024.
- Seek approval for the write off of irrecoverable debts that are over £25,000 in accordance with the Council's constitution.

2. Recommendations

That Cabinet:

- 2.1. Note the new service reporting arrangements to the Director of Financial Services.
- 2.2. Note the finalised outstanding debt position as at 31 March 2024 and the position of debts written off to 31 March 2024 as set out in **Appendices A & B**.
- 2.3. Approve the nine proposed write offs exceeding £25,000, as shown in **Appendix B**.

3. Background Information

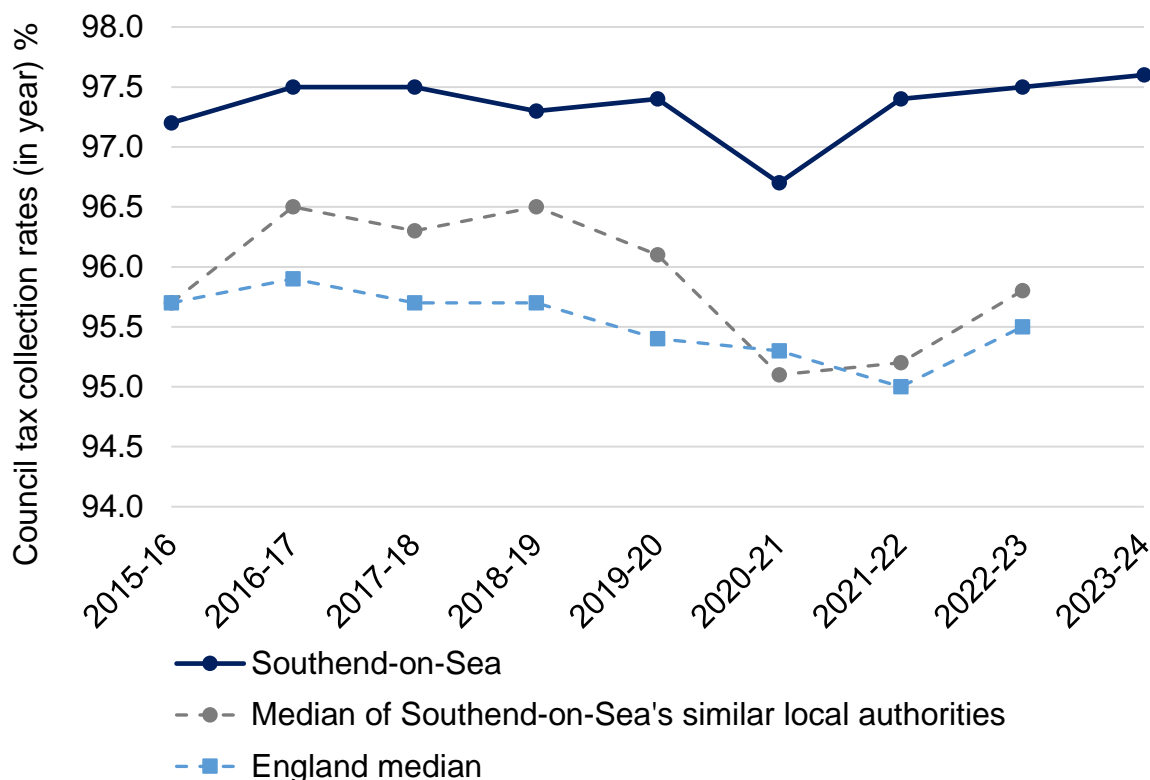
- 3.1. It has been historically agreed and is good practice that the S151 Officer submits regular reports to Cabinet on all aspects of the Council's outstanding debt, along with the required write off position. A review of the Council's overall operational arrangements for corporate debt collection has recently commenced and if necessary, any changes will be reported to Cabinet for information in September. The report in September will also provide an update on the performance of the integration of services that now come under the responsibility of the Director of Financial Services. This is the final debt status report for the financial year 2023/24.
- 3.2. Southend-on-Sea City Council is made up of several service areas, most of which have some responsibility for the administration, collection and recovery of outstanding debt. The main substantial service areas are Accounts Receivable and Revenues which are linked to the billing and collection of most debts that fall due to be paid to the Council for chargeable services, such as service/rental charges and statutory levies such as Council Tax and Non-Domestic Rates (Business Rates).
- 3.3. At the start of the 2023/24 financial year, responsibility for the overall strategic leadership of the Council's Accounts Receivable, Revenues and Benefits Services was transferred to the Director of Financial Services. The rationale for this change was to provide clarity, strengthen accountability and finalise the previous interim line management arrangements for these service areas. Building on this initial reporting re-alignment, the intention was to bring together the complete range of professional financial services under a single line management responsibility. These services have joined the Council's accountancy and insurance teams.
- 3.4. On 1 April 2024, the formal transfer of the Adult Social Care finance team into this portfolio of financial services was implemented. These new arrangements will help to provide greater resilience, sharing of knowledge and expertise and provide a clear focus on performance and delivery. Reviewing the Council's overall corporate collection arrangements for all debt types will be a key priority for 2024/25.
- 3.5. A new Service Plan for 2024/25 has been developed and professional relationships across all service areas are being enhanced. The teams have started to build a new collective identity for our wider finance family, and it is hoped that the new structure will build on the solid performance and strengths of each individual service area and become stronger together to have a bigger collective positive influence over enabling and supporting the Council to achieve its key objectives within the Corporate Plan for the benefit of our residents and City.

- 3.6. Other areas of debt status that are included in this report include the recovery of Housing Benefit Overpayments, Parking and Enforcement penalties, Adult Social Care and Library fines. In addition, the position regarding outstanding debt levels for the Housing Revenue Account for rent arrears and service charges is also presented.
- 3.7. The process and legislative framework for the collection and write-off of debt was detailed in the report to Cabinet on 17 September 2013. It is worth highlighting that the Council has a strong success rate with regards to the collection of debt. The collection targets are agreed annually as part of the Council's service and financial planning process.
- 3.8. Debts are only considered for write off after all other options for recovery have been undertaken or explored and the debt is considered irrecoverable.

4. Council Tax

- 4.1. A total value of **£119.6M** of Council Tax was due to be collected in 2023/24, with a year-end collection target of 97.5%. The Council actually collected a total of **£116.8M** which translates to a percentage collection rate of **97.6%**. This represents the highest in-year collection performance by the team since 2013
- 4.2. To illustrate this success and provide further evidence of our strong Council Tax collection performance the Government have recently introduced a Local Authority monitoring site, Office for Local Government (Oflog).
- 4.3. The collection rate of Southend-on-Sea Council is considerably higher, in comparison to both the England median, and the median of similar local authorities to Southend-on-Sea City Council.
- 4.4. As an illustration, the Council's strong performance in this area in 2022/23 can be translated into an indicative increased collection monetary value of circa **£1.9M** above the median collection % rate in England in that year and **£2.2M** when compared to the collection % rate achieved by the median of similar local authorities.

4.5. The following graph from the Office for Local Government¹ (Oflog) website highlights the very positive performance of Southend-on-Sea City Council compared to others.



4.6. Collection is continuing for all outstanding arrears for previous financial years. The table below shows the actual in year collection rate over the past 4 years, and the collection rate of each year's charge to date, including debts that have been written off.

	Council Tax Performance	
	As of 31 March of relevant year	As of 31 March 2024
1 April 2019 - 31 March 2020	97.5%	99.2%
1 April 2020 - 31 March 2021	96.7%	99.1%
1 April 2021 - 31 March 2022	97.4%	98.8%
1 April 2022 - 31 March 2023	97.5%	98.5%

4.7. The team continue to collect debts outside of this financial year and over the course of the year achieved an additional collection of **£2.8M**, resulting in **25.5%** of all older year debt held was collected during the 2023/24 financial year.

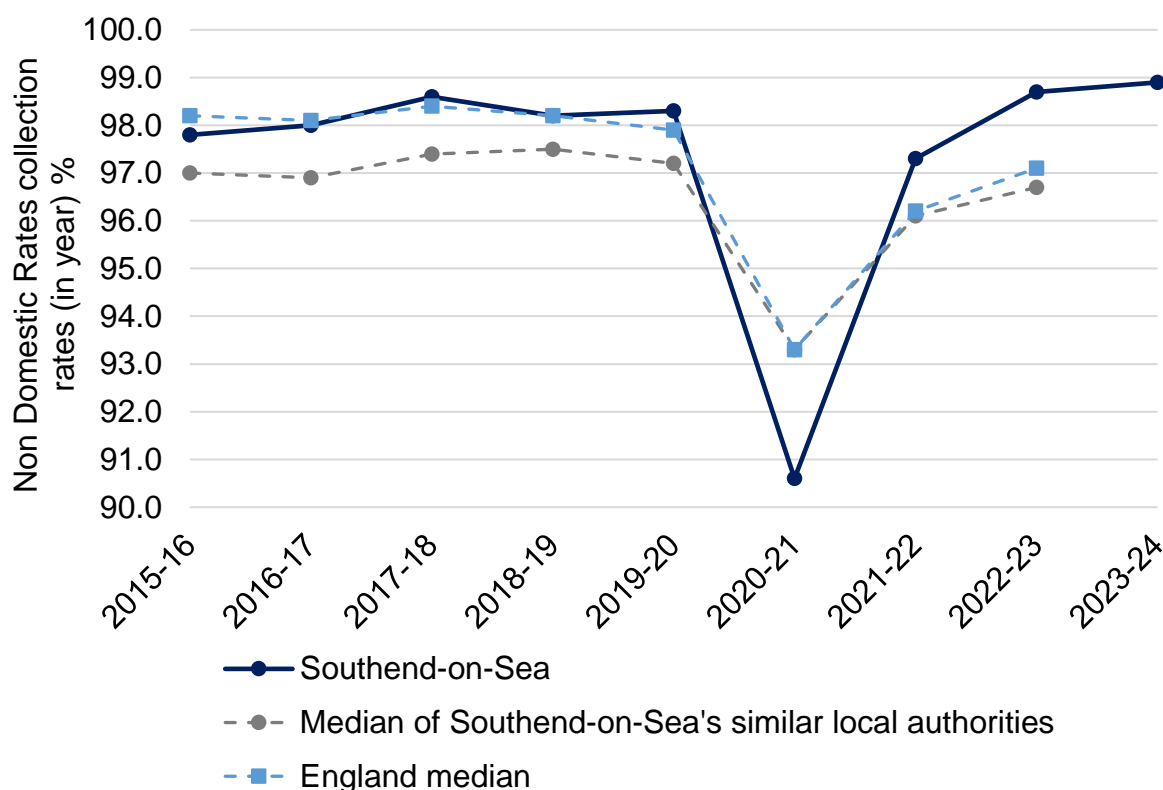
¹ <https://oflog.data.gov.uk/corporate-and-finance?area=E06000033>

- 4.8. The Council currently holds around **£11M** of uncollected debt for prior financial years, it is intended that a full review will be completed of these debts during 2024/25, with a view to removing those debts which are deemed to be irrecoverable. To provide additional reassurance the level of debt which is deemed unrecoverable and ultimately written off will have been **100% provided** for within the Council's bad debt provision.
- 4.9. Whilst this is a priority of the team, it is anticipated that this work will commence in the third or fourth quarter of this year, allowing the team to focus on the large court sessions and ensuring the continued positive collection rate in respect of the current financial year.

5. Non-Domestic Rates (Business Rates)

- 5.1. A total value of **£37.5M** of Business Rates was due to be collected in 2023/24, with a collection target of **98.5%**. The Council actually collected a total of **£37.1M**, which translates to a percentage collection rate of **98.9%** achieved. This represents the highest collection performance in this area in the last decade.
- 5.2. Again, to illustrate this success and provide further evidence of our strong Business Rates collection performance the Local Authority monitoring site, Office for Local Government (Oflog), provides comparator information.
- 5.3. The collection rate of Southend-on-Sea City Council is generally higher, in comparison to both the England median, and similar authorities to Southend-on-Sea City Council. The 'blip' was in 2020/21 during the COVID pandemic when a deliberate decision was taken to suspend all forms of recovery action. Strong collection performance then resumed from the 2021/22 financial year.
- 5.4. As an illustration, the Council's strong performance in this area in 2022/23 can be translated into an indicative increased collection monetary value of circa **£0.621M** above the median collection % rate in England in that year and **£0.781M** when compared to the collection % rate achieved by the median of similar local authorities.

5.5. The following graph from the Office for Local Government² (Oflog) website highlights the very positive performance of Southend-on-Sea City Council compared to others.



5.6. Collection is continuing for all outstanding arrears for previous financial years. The table below shows the actual in year collection rate over the past 4 years, and the collection rate of each year's charge to date, including debts that have been already written off.

	Non-Domestic Rates Performance	
	As of 31 March of relevant year	As of 31 March 2024
1 April 2019 - 31 March 2020	98.3%	99.9%
1 April 2020 - 31 March 2021	90.6%	99.8%
1 April 2021 - 31 March 2022	96.3%	99.5%
1 April 2022 - 31 March 2023	98.7%	99.4%

5.7. The team continue to collect debts outside of this financial year and over the course of the year achieved an additional collection of **£0.610M**, resulting in **46.8%** of all prior year debt held was collected during the 2023/24 financial year.

² <https://oflog.data.gov.uk/corporate-and-finance?area=E06000033>

6. Housing Benefit Overpayment

- 6.1. This is related to any entitlement to a rent allowance or rent rebate that a person has received but is not eligible for. Most commonly this accumulates when there is a change to a person's circumstance, and they fail to notify the Council in good time. The overpayment will be invoiced unless they are in receipt of Housing Benefit in which case their benefit entitlement is reduced to enable recovery of the overpayment. The vast majority of Housing Benefit overpayment is due to individual claimant error.

Housing Benefit Overpayment Created by Year				
	Claimant Error	LA/DWP Error	Admin Delay	Liability Reduction
1 April 22 - 31 March 23	£650,599.82	£54,602.90	£36,351.28	£44,512.66
1 April 23 - 31 March 24	£760,762.17	£46,109.05	£30,306.02	£51,228.21

- 6.2. Collection during the reporting period is comparable to the prior year, and as a result the level of debt in this area is not increasing, the cumulative debt position on 31 March 2024 is **£4M**, reduced from £4.5M in the previous financial year.

7. Libraries

- 7.1. Library debt is relatively small and is made up of overdue fines and replacing lost or non-returned books.

8. Adult Services

- 8.1. Adult Services make charges for the following services:

- Contributions to residential accommodation
- Charges for non-residential services i.e. Home Care, Community Support, Day Services and transport to services
- Charges to other local authorities
- Charges to National Health Service

- 8.2. As of 31 March 2024, the level of debt was **£9.6M**, which is an **increase of £1.12M** compared to this time last year. The main contributory factor of the increased level of outstanding debt is the increased rates paid to providers, which are subject to means testing and then passed onto the service user.

- 8.3. Analysis of this debt shows that, **£2.773M (29%) is debt deferred** against property/assets and **£1.969M (20%) is under 30 days old**, which includes sums owed by the National Health Service or other local authorities.

- 8.4. Of the remaining **£4.858M (50%)**, the majority has been overdue for greater than one year and in some cases, the customer ID reflects that the debt is now charged to the service users' estate. This poses a significant risk to recovery as it is unsecured. This has been reflected by an appropriate increase in the Bad Debt provision specifically earmarked for this Service area. A full detailed analysis has been undertaken.
- 8.5. Given the transfer of the Adult Social Care Finance Team from 1 April 2024 to Financial Services, a comprehensive review of all working practices and arrangements has commenced. Sharing knowledge and capacity will help to improve processes, the customer experience and maximise the levels of debt collection for both current and future financial years.
- 8.6. An initial detailed analysis and status of levels of Adult Social Care debt has been finalised. Further work on some of the older debt is ongoing. The total debt identified for write off as part of this report is **£564,804** and can be analysed as follows.

Debts under £10k – **68 cases totalling £99,772.**

Debts between £10k - £25k – **13 cases totalling £188,999.**

Debts over £25k – **5 cases totalling £276,033.**

The debts of a value of less than £25k have been written off in accordance with the designated approval levels (see paragraph 12.2). The proposed individual debts for write off over £25k in value are included in **Appendix B** for Cabinet's approval.

9. Parking

- 9.1. The recovery of unpaid Penalty Charge Notices is undertaken by a semi-judicial process under the current Traffic Management Act 2004.
- 9.2. From 1st April 2023 to 31st March 2024 a total of **71,385 Penalty Charge Notices (PCNs) have been issued** identifying a **potential income of £2,140,720**. It should be noted that PCNs are issued at a higher rate and lower rate (£70.00 and £50.00 respectively) depending on the seriousness of the parking contravention. PCNs may also be paid at a discounted rate of 50% of the charge if paid within 14 days of the date of issue.
- 9.3. This value is continuously being amended as payments are received and it should be recognised that payments made at the 50% discount amount will reduce the potential income level. Historically, 75% of paid PCN's are paid at the discounted payment.
- 9.4. The value of **cancelled notices for 2023/24 is £579,306** and cases **written off where no vehicle owner has been identified totals £25,229.**

Note: "In the parking enforcement process, only PCNs that have been registered as an unpaid debt at the Traffic Enforcement Centre are classed as being at debt stage."

10. Miscellaneous Income

- 10.1. This will include a range of services that the Council will charge for, including such areas as rental income on commercial properties, recharges to other bodies for services we have provided, and recovering overpaid salaries from staff who have left the Organisation.
- 10.2. It is important to note that collection can vary month by month depending on the value of invoices raised as a reasonable period needs to be allowed for payment to be made.
- 10.3. Total debt outstanding as at 31 March 2024 is **£8.7M** compared to **£11.3M** at the same time last year, a **decrease of £2.6M**.
- 10.4. This decrease is largely due to positive in-year collection levels, an **additional £4.1M of debt** has been raised in-year, but an **extra £6.1M of in-year debt was collected** in monetary terms during this financial year, resulting in a **year-end collection rate of 88.4%** of the total debt raised; an increase from the 83.3% collection in the previous financial year.

11. Housing

- 11.1. Under the management of South Essex Homes there are arrears of outstanding debt of Rent and Service Charges for housing tenants. Extensive recovery procedures are followed but if the debt is deemed to be irrecoverable then the cost of any write-offs for this category of debt is specifically charged to the Housing Revenue Account and not to Council Taxpayers.

12. Debt Collection Policy and Operational Arrangements Review

- 12.1. A new Debt Collection and Recovery Policy was approved by Cabinet in January 2024. A review of the operation of the overall corporate debt collection arrangements has now commenced given the transfer of services now under the responsibility of the Director of Financial Services. The review is also considering workflows and where possible exploring opportunities for greater automation and consistency of all debt collection processes and procedures.

- 12.2. Write off approval levels currently in place are shown in the tables below, which are in accordance with the latest Financial Procedure rules set out in the Constitution and the latest corporate debt recovery policy.

Debt Type: Accounts Receivable/Adult Services/ Housing and Council Tax Benefit	
Designation	Amount
Assistant Manager	under £5,000
Manager	Up to £10,000
Executive Director (Finance & Resources)	Between £10,000 and £25,000
Cabinet	£25,000 and above

Debt Type: NNDR (National Non-Domestic Rates)	
Designation	Amount
Senior Officer	Up to £2,000
Team Leader	Up to £5,000
Manager	Up to £10,000
Executive Director (Finance & Resources)	Between £10,000 and £25,000
Cabinet	£25,000 and above

Debt Type: Parking	
Designation	Amount
Team Leader	Up to £5,000
Head of Parking	Up to £10,000
Jointly - Head of Parking and Executive Director (Finance & Resources)	Between £10,000 and £25,000
Cabinet	£25,000 and above

South Essex Homes, as managing agent, submit proposed write-offs to the Council, following which the following approval levels are exercised.

Debt Type: Housing Rents and Service Charges	
Designation	Amount
Jointly - Head of Housing Service and Executive Director (Finance & Resources)	Under £25,000
Cabinet	£25,000 and above

13. Reasons for Decisions

- 13.1. Debt collection should form an important consideration for most service areas but predominantly collection is secured by services now reporting into the Director of Financial Services. All action instigated remains in accordance with the Council's Corporate Debt Management Policy to ensure a fair and consistent approach is applied to each case, and to maximise income collection for the Council. The new structure and reporting arrangements summarised in this report should help to further strengthen overall debt collection performance and help to maximise revenue and provide a more consistent experience for residents and other clients of Council services.
- 13.2. Each write off is considered on an individual basis to assess the viability of collection and via compliance with the Council's Corporate Debt Management Policy to ensure a standard consistent approach is applied.

14. Other Options

- 14.1. This is a report notifying members of the current position of the Council's debt and related write offs, and therefore there are no other options.

15. Financial Implications

- 15.1. Debts that are written off will have been provided for within the Council's bad debt provision and as such there should be no specific additional financial implications for the Council. However, it is possible that unforeseen and unplanned additional write offs occur, which could lead to the value of debts written off in any year exceeding the bad debt provision.
- 15.2. Where there is a potential for this to happen, this report will act as an early warning system and will enable additional control measures to be agreed and undertaken to either bring the situation back under control, or to make appropriate adjustments to the bad debt provision.
- 15.3. Relevant service areas are aware that they will have to bear the full cost of the value of debts that are written off from within their service's budget.
- 15.4. The Council's bad debt provision is calculated according to the type of debt using an agreed formula. Exceptions can be made on a case-by-case basis by Finance Officers applying their professional judgement considering specific service knowledge. The proposed arrangements for each debt type are reviewed annually, and the approach is agreed with the Council's external auditors.

- 15.5. For General Fund debt the following percentages are used to calculate the value of provisions for various types of debt

Type of debt	Age of debt in months						
	<1	1-2	2-3	3-4	4-6	6-12	>12
Sundry Debt	0%	10%	10%	50%	50%	90%	90%
Adult Social Care	0%	10%	10%	50%	50%	90%	100%
Commercial Rents	0%	10%	15%	25%	50%	70%	90%

- 15.6. Where there is an active payment plan in place no bad debt provision is made.
- 15.7. Provisions for bad debt associated with Council Tax or Business Rates are calculated as part of the Collection Fund accounting arrangements and apportioned between Southend-on-Sea City Council as the billing authority and preceptors. These calculations have followed a similar formulaic approach for bad debt provision over the last 23 years. The approach and calculations are also shared with the Council's external auditors each year.
- 15.8. Provisions for bad debt associated with the Housing Revenue Account follow specific recommended guidelines. The Council follows this approach, and the overall bad debt provision is calculated on this basis.

16. Legal Implications

- 16.1. If there are debts to be written off that exceed the level at which officers have delegated powers to deal with the matter, authorisation is required from Cabinet.

17. Carbon Impact

- 17.1. No carbon impact implications.

18. Equalities

- 18.1. Debt Collection is managed through a Corporate Debt Management Policy and is based on an approach of "Can't Pay Won't Pay". Each write-off is considered on an individual basis through a standard consistent best practice approach.

19. Consultation

- 19.1. No consultation required for the write off of debt.

20. Appendices

- 20.1. Appendix A: Debt Management Position 31.03.2024
Appendix B: Write Offs 31.03.2024

Report Authorisation

This report has been approved for publication by:

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	Name:	Date:
S151 Officer	Joe Chesterton	07/06/2024
Monitoring Officer	Susan Zeiss	12/06/2024
Executive Director(s)	Joe Chesterton	07/06/2024
Relevant Cabinet Member	Councillor Collins	13/06/2024