

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Director for Corporate Services

to
Cabinet
on

23rd September 2014

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Revenues Team Leader

Debt Management - Position to 31st July 2014

Policy and Resources Scrutiny Committee

Executive Councillor: Councillor Woodley

A Part 1 Public Agenda Item

1. Purpose of Report

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

- the position of outstanding debt to the Council as at 31st March 2014 and 31st July 2014;
- debts that have been written off or are recommended for write off in the current financial year;
- obtain approval for the write off of irrecoverable debts that are over £25,000.

2. Recommendation

That Cabinet notes:-

2.1 The outstanding debt position as at 31st March 2014 and 31st July 2014 and the position of debts written off to date as set out in Appendices A & B.

That Cabinet approves;

2.2 The individual write-off's greater than £25,000 as set out in Appendix B.

3. Background

3.1 It was agreed by Cabinet on 19th March 2013, following a report of debts over £25k to be written off, that the Head of Finance and Resources will submit a report on a regular basis to Cabinet on all aspects of the Council's outstanding debt, along with the required write off position. This is the third of these progress reports.

- 3.2 Southend-on-Sea is made up of a number of service areas responsible for the collection and administration of outstanding debt. The main areas are Accounts Receivable and Revenues which are linked to the billing and collection of the vast majority of debts that fall due to be paid to the Council for chargeable services, such as social care (see 4.5) and statutory levies such as Council tax and Non Domestic Rates (Business Rates).

However there are other areas of debt that are included in this report, namely recovery of Housing Benefit Overpayments, Parking and Enforcement penalties and library fines. In addition, there are also debts for the Housing Revenue Account for rent arrears and service charges.

- 3.3 The process and legislative framework for the collection and write off of debt were detailed in the report to Cabinet on 17th September 2013. However, it is worth noting that the Council has a good success rate in collection of debt, and the collection targets are agreed annually as part of the Councils service planning process.
- 3.4 Debts are only considered for write off where all other courses of recovery available have been undertaken or explored and the debt is considered irrecoverable.

4. Councils Debt Types

4.1 Council Tax

£74.448 million of Council tax was due to be collected in 2013/14, of which £63.281 million is due to this Council and the balance to our preceptors, and the Council has achieved the target collection rate of 97%. The reduction in target from last year's collection rate of 97.9% was due to the anticipated effect on collection of the new Local Council Tax Support Scheme introduced on 1st April 2013.

In 2012/13 97.9% of Council Tax due for that year was collected in year and collection continues for the outstanding arrears for that year and for previous years. The chart 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	
	As at 31st March of relevant year	As at 31 st March 2014
1st April 2009 - 31st March 2010	97.70%	99.68%
1st April 2010 - 31st March 2011	97.90%	99.6%
1st April 2011 - 31st March 2012	98.00%	99.5%
1st April 2012 - 31st March 2013	97.90%	99.13%

The 97% in year collection at the end of March 2014 amounts to £72.142m compared to £67.360m at the same time in 2012/13. The increase in cash collected is a combination of the Council Tax increase of 1.75%, more residents paying by 12 monthly instalments, and payments from those on the Local Council Tax Support Scheme who did not pay Council Tax previously, or are paying an increased amount.

4.2 Non Domestic Rates (Business Rates)

The Council was due to collect approximately £46.5m of Business Rates in 2013/14 and achieved the set collection target of 97.5%

In 2012/13 the Council achieved an overall collection of 97.4% with collection continuing for outstanding arrears for previous financial years.

The chart 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	
	As at 31st March of relevant year	As at 31 st March 2104
1st April 2009 - 31st March 2010	97.70%	99.96%
1st April 2010 - 31st March 2011	98.80%	99.8%*
1st April 2011 - 31st March 2012	97.70%	99.57%
1st April 2012 - 31st March 2013	97.40%	99.1%

***Irregular results in 2010/2011 year due to it being a revaluation year, where consequential appeals of new rateable value having an effect on the collection rate throughout the whole five year period.**

The in year collection at end of March shows that 97.5% of the annual target has been collected which amounts to £45.382m compared to £43.2m at the same time in 2012/13. The increase results from the growth in business rates and the increase in the multiplier to calculate business rates as set by Central Government.

4.3 Housing Benefit Overpayment

This is any entitlement to a rent allowance or rent rebate that a person has received but is not entitled to. Most commonly this accumulates when there is a change to a person's circumstance and they fail to notify us in good time.

4.4 Libraries

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

4.5 Department for People - Adult Services (formerly Social care)

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 Health Authority

4.6 Parking

The recovery of unpaid Penalty Charge Notices is undertaken by semi-judicial process under the current Traffic Management Act 2004.

Since 1st April 2013 a total of 50,565 Penalty Charge Notices have been issued identifying a projected income of £2,128,405. It should be noted that this value is based upon the full penalty charge based on the split between the number of PCNs issued at the higher (£70) and the lower penalty charge (£50). This value is continuously being amended as payments are received and it should be recognized that payments made at the 50% discount amount will reduce the projected income level. The value of notices cancelled from 1st April 2013 to 31st July 2014 is £145,678.

4.7 Miscellaneous Income

This will include a range of services that the Council will charge for ranging from rental income on commercial properties to recharges to other bodies for services we have provided to recovering overpaid salaries from staff that have left.

The 2013/14 collection target of 91% actually achieved 86.5% and £46m was collected compared to £29m at the same point in 2012/13.

The large increase is largely due to invoices raised in respect of the Forum in 2013/14.

It is important to note that collection can vary within month depending on the value of invoices raised as a reasonable period needs to be allowed for payment to be made.

4.8 Housing

Under the management of South Essex Homes there are the arrears of outstanding debt of Rent and Service Charges. The cost of any write-offs for this category of debt is specifically charged to the Housing Revenue Account and not to Council Tax Payers.

5. Write-Off Levels

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

Debt Type: Council Tax/Accounts Receivable/Social Care/Housing & Council Tax Benefit

Designation	Amount
Assistant Manager/Manager	under £5,000
Head of Service	Between £5,000 and £25,000
Cabinet	£25,000 and above

Debt Type: NNDR (Non Domestic Rates)

Designation	Amount
Assistant Manager	under £5,000
Manager	Between £5,000 and £10,000
Head of Service	Between £10,000 and £25,000
Cabinet	£25,000 and above

Debt Type: Parking

Designation	Amount
Notice Processing Officer & Section Leader.	under £5,000
Section Leader	Between £5,000 and £10,000
Group Manager	Between £10,000 and £25,000
Head Of Service/Cabinet	£25,000 and above

Debt Type: Housing, Rents & Service Charges

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

Designation	Amount
Head of Service	Under £25,000
Cabinet	£25,000 and over

6. Outstanding Debt Position

Appendices A and B show the current debt position within each service area, and the amount that has been written off so far in the current year.

For Council Tax and Non Domestic rates there is a net collectable debt at the beginning of the year. Although this can change depending on changes to liability or property being removed or introduced to the lists, it is fairly consistent.

Other service areas may see greater fluctuations as new debts are created during the financial year.

7. Other Options

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.

8. Reasons for Recommendations

All reasonable steps to recover the debt have been taken, and therefore where write off is recommended it is the only course of action available.

9. Corporate Implications

9.1 Contribution to Council's Vision & Corporate Priorities

Efficient write off of bad and irrecoverable debts, where appropriate, is good financial practice and reduces the bad debt provision and financial impact in the Authority's accounts.

9.2 Financial Implications

Debts that are written off will have been provided for within the Councils bad debt provision and as such there should be no specific financial implications. However it is possible that unforeseen and unplanned additional write offs occur, which lead to the value of debts written off in any year exceeding the bad debt provision.

Where this is likely to happen, this report will act as an early warning system and will enable additional control measures to be agreed and taken to either bring the situation back under control, or to make appropriate adjustments to the bad debt provision.

Relevant service areas have to bear the cost of other debts that are written off within their budget.

9.3 Legal Implications

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 the Cabinet.

9.4 People Implications

The people implications have been considered and there are none relevant to this report

9.5 Property Implications

The property implications have been considered and there are none relevant to this report

9.6 Consultation

Consultation is not required for write off of debt.

9.7 Equalities and Diversity Implications

Each write-off is considered on an individual basis, there is no equalities and diversity implication to consider.

9.8 Risk Assessment

There is a financial implication to the bad debt provision if write offs are not dealt with within the current financial year.

9.9 Value for Money

It is a matter of good financial practice and good debt management to report value of debt and write off regularly.

9.10 Community Safety Implications

There are no Community Safety Implications

9.11 Environmental Impact

There is no environmental impact.

10. Background Papers

Full details of recovery action against each recommended write-off are held within the services computer systems.

Report of Corporate Director for Corporate Services to Cabinet on 17th September 2013.

11. Appendices

Appendix A Summary of Outstanding debt

Appendix B Summary of Write offs