

Public Document Pack

Southend-on-Sea City Council

Legal & Democratic Services

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09 June 2022

CABINET - TUESDAY, 14TH JUNE, 2022

SUPPLEMENTARY REPORT PACK 1: DEBT MANAGEMENT POSTION TO 31ST MARCH 2022

Please find enclosed, for consideration at the next meeting of the Cabinet taking place on Tuesday, 14th June, 2022, the following report that was unavailable when the agenda was printed.

Agenda No Item

9 Debt Management Position to 31st March 2022 (Pages 1 - 16)

Report of Executive Director (Finance and Resources) attached

Robert Harris
Principal Democratic Services Officer

Southend-on-Sea City Council

Report of Executive Director Finance & Resources

To

Cabinet

on

14th June 2022

Report prepared by: Richard Campbell
Council Tax Manager

Agenda

Item No.

9

Debt Management - Position to 31st March 2022

Policy and Resources Scrutiny Committee
Cabinet Member : Councillor Collins

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 current position of all outstanding debt to the Council as at 31st March 2022;
- Debts that have been written off, or are recommended for write off, in the current financial as at 31st March 2022;
- Obtain approval for the write off, if necessary, of irrecoverable debts that are over £25,000.

2. Recommendation

That Cabinet: -

- 2.1 Notes the current outstanding debt position as at 31st March 2022 and the position of debts written off to 31st March 2022 as set out in **Appendices A & B**.
- 2.2 Notes that no write offs greater than £25,000 need Cabinet approval on this occasion.

3. Background

3.1 It was agreed by Cabinet on 19th March 2013 that the S151 Officer would submit regular reports to Cabinet on all aspects of the Council's outstanding debt, along with the required write off position. This is the final report for the financial year 2021/22.

3.2 Southend-on-Sea Borough Council 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 Section 4.5) and statutory levies such as Council tax and Non Domestic Rates (Business Rates).

There are also 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 was detailed in the report to Cabinet on 17th September 2013. It is worth highlighting that the Council has a good success rate in collection of debt. The collection targets are agreed annually as part of the Councils service and financial 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

£106.5m of Council Tax was due to be collected in 2021/22, with a collection target of 97.5%. The Council achieved a collection of 97.4% during this year reflecting a decrease of 0.1% in percentage terms and a reduction in monetary terms of circa £100k in comparison to the collection target profile. Whilst collection was slightly lower than targeted, it is worth noting that the collection was significantly improved from the previous financial year, within which only 96.7% was collected in-year.

Collection also 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 Performance	
	As of 31st March, of relevant year	As of 31 st March 2022
1st April 2017 - 31st March 2018	97.5%	99.5%
1st April 2018 - 31st March 2019	97.5%	99.1%
1st April 2019 - 31st March 2020	97.5%	98.8%
1st April 2020 - 31st March 2021	96.7%	98.4%

4.2 Non Domestic Rates (Business Rates)

£30.8m of Non-Domestic Rate was due to be collected in 2021/22, with a collection target of 98.3%. The Council achieved a collection of 97.3% during this year reflecting a decrease of 1.0% in percentage terms and a reduction in monetary terms of £0.3m in comparison to the collection target profile. Whilst this is disappointing, it reflects the issues that businesses have faced over the last two years with the Covid pandemic. Additionally, whilst this is a decrease in collection performance, it should be noted that the previous financial year had a collection of 90.6% therefore the year saw a huge increase in performance, with an additional 6.7% collected in-year.

Collection is 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 Performance	
	As of 31st March, of relevant year	As of 31 st March 2022
1st April 2017 - 31st March 2018	98.0%	99.8%
1st April 2018 - 31st March 2019	98.6%	99.8%
1st April 2019 - 31st March 2020	98.3%	99.4%
1st April 2020 - 31st March 2021	90.6%	99.0%

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. 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 claimant error.

4.4 **Libraries**

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

4.5 **Adult Services**

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

Adult Social Care debt as of 31st March 2022 was £5,580,000

It should be noted that of the total amount outstanding.

£4.763m is debt deferred against property;
£1.694m is under 30 days old.

4.6 **Parking**

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

From 1st April 2021 to 31st March 2022 a total of 59,833 Penalty Charge Notices (PCNs) have been issued identifying a projected income of £1,815,495. 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 be paid at a discounted rate of 50% of the charge if paid within 14 days of the date of issue.

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 projected income level. Historically, 75% of paid PCN's are paid at the discounted payment.

The value of cancelled notices for 2021/22 is £231,838 and cases written off where no vehicle owner has been identified totals £3,810.

4.7 Miscellaneous Income

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 that have left.

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. Also to note that write offs to the value of £121k were undertaken for this area of debt in 2021/22.

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

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 latest corporate debt recovery policy.

Debt Type: Council Tax/ Accounts Receivable/Adult Services/ Housing Benefit

Designation	Amount
Assistant Manager	under £5,000
Manager	Up to £10,000
Director	Between £10,000 and £25,000
Cabinet	£25,000 and above

Debt Type: NNDR (Non Domestic Rates)

Designation	Amount
Assistant Manager	under £5,000
Manager	Up to £10,000
Director	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
Cabinet	£25,000 and above

Debt Type: Housing Rents and 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 Housing Service & Director	Under £25,000
Cabinet	£25,000 and above

6. Council Debt Position (as at 31/3/2022)

- 6.1 **Appendices A and B** show the current debt position within each service area, and the amount that has been written off in the current financial year 2021/22.
- 6.2 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.
- However other service areas may see greater fluctuations as new debts are created during the financial year.
- 6.3 The Council's debt position across all services on 31st March 2022 was £28.6 million in comparison to the position on 31st March 2021 of £39.0million. This shows a decrease of £10.4million, circa 26.7% for the same period in the last financial year.
- 6.4 This decrease is mainly due to the Miscellaneous Income outstanding debt which has decreased by £6.6million. The decreased is largely attributable to two factors, firstly an invoice of £5.5million that was raised in March 2021, and paid in April 2021, which skewed the figures somewhat together with the impact on the team last year due to the Covid pandemic.
- 6.5 The debt for Housing Benefit Overpayments has also decreased with £0.8million less arrears debt carried forward into the 2022-23 financial year. This is largely due to the impact of the Covid pandemic in the 2020-21 financial year.
- 6.6 The final area which has seen a large change in debt is that of outstanding Business Rates, with the current year collection being more in line with that which is to be expected, with £0.8million debt outstanding, whereas the debt position for this area, due to the Covid pandemic on 31st March 2021 was £1.9million.

7 Covid-19 Pandemic

The Council quite rightly prioritised support for local residents, tenants and businesses by not issuing any recovery documentation, took no enforcement action by agents and issued no summons during the previous financial year. After review however the Council did return to instigating Court action for non-payment of debts, where legislation permits, from July 2021.

Additionally, cases are now being issued to Enforcement Agents for collection where payment cannot be induced from the debtor.

As can be seen throughout this report, the impact of the Council returning to traditional debt collection methods has seen a huge uplift in the collection across the various debt streams. An additional £30.9m has been collected via the various services in comparison to the previous financial year, with this all being achieved in conjunction with the various support mechanisms that have been delivered by the same teams during the same time period.

During the last financial year, the debt collection teams have adapted and delivered various business grant schemes to support the local businesses, test and trace payments to those which have been required to isolate and delivered a hardship scheme to those residents in receipt of Council Tax Reduction and through the Household Support Fund have provided aid to those that require assistance with general living expenses. Where required, the support provided through these various schemes has reached thousands of individuals/businesses throughout the borough to aid the recipient's recovery from the initial pandemic.

Of the additional income that has been received, £15.7million has been received by business rate payers, £7.3million of additional income has been received as Miscellaneous Income and a further £6.7million has been received in Council Tax.

8. 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.

9. 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 that is left available.

If the Council wishes to pursue debts for bankruptcy proceeding, it will follow the agreed and published recovery policy that covers this.

10. Corporate Implications

10.1 Contribution to the Southend 2050 Road Map

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 and helps towards financial self-sustainability of the organisation.

10.2 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 could 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 undertaken to either bring the situation back under control, or to make appropriate adjustments to the bad debt provision.

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

10.3 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 Cabinet.

10.4 People Implications

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

10.5 Property Implications

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

10.6 Consultation

Consultation is not required for write off of debt.

10.7 Equalities and Diversity Implications

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 approach.

10.8 Risk Assessment

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

10.9 Value for Money

It is a matter of good financial practice and good debt management to regularly report on the value of debt outstanding, collected and written off.

10.10 Community Safety Implications

There are no Community Safety Implications.

10.11 Environmental Impact

There is no environmental impact.

10.12 Background Papers

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

11. Appendices

Appendix A Summary of outstanding debt

Appendix B Summary of Write offs

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Summary of Outstanding Debt as at 31st March 2022

Outstanding Debt pre 1st April 2021 (arrears)

Debt pre 1/4/2021	Council Tax (a) £'000	Business Rates (a) £'000	Housing Benefit Overpayments (b) £'000	Adult Services £'000	Miscellaneous Income £'000	HRA (Service Charges) £'000	Parking (c) £'000	Libraries £'000	HRA Current Tenants (d) £'000	HRA Former Tenants (d) £'000
Net Collectable Debt	8,961	3,765	5,046	6,507	12,615	249	726	n/a	0	357
Amount Paid as @ 31.03.2022	2,709	2,377	2,556	3,531	10,386	58	177	10	0	200
Number of Accounts that are outstanding	13,640	437	947	1,645	1,293	91	n/a	n/a	0	161
Total Outstanding	6,252	1,388	2,529	2,976	2,229	191	549	n/a	0	157

Total outstanding pre 1st April 2021 = £16.271million

Current Year Debt (Debt raised in respect of 2021/22)

Debt post 1/4/2021	Council Tax (a) £'000	Business Rates (a) £'000	Housing Benefit Overpayments (b) £'000	Adult Services £'000	Miscellaneous Income £'000	HRA (Service Charges) £'000	Parking (c) £'000	Libraries £'000	HRA Current Tenants (d) £'000	HRA Former Tenants (d) £'000
Net Collectable Debt as at 31.03.2022	106,480	30,863	1,492	14,498	40,120	1,547	690	n/a	33,195	283
Amount Paid as @ 31.03.2022	103,762	30,048	2,556	11,894	36,382	1,372	93	5	32,996	98
Number of Accounts that are outstanding	8,312	491	627	2,011	1242	109	n/a	n/a	1,591	135
Total Outstanding	2,718	815	791	2,604	3,738	175	597	n/a	703	185

Total outstanding current year debt (Debt raised in respect of 2021/22) = £12.326million

Total Debt Outstanding as at 31st March 2022

Total Debt	Council Tax (a) £'000	Business Rates (a) £'000	Housing Benefit Overpayments (b) £'000	Adult Services £'000	Miscellaneous Income £'000	HRA (Care Line/Service Charges) £'000	Parking (c) £'000	Libraries £'000	HRA Current Tenants (d) £'000	HRA Former Tenants (d) £'000
Total Net Collectable Debt at 31.03.2022	115,441	34,628	6,538	21,005	52,735	1,796	1,416	0	33,195	640
Total Amount Paid as @ 31.03.2022	106,471	32,425	5,112	15,425	46,768	1,430	270	15	32,996	298
Total Number of Accounts that are outstanding	21,952	928	1,574	3,656	2,535	200	n/a	0	1,591	296
Total Debt Outstanding as @ 31.03.22	8,970	2,203	3,320	5,580	5,967	366	1,146	n/a	703	342

Total Debt Outstanding at 31st March 2022 = £28.597million

NOTES

- (a) Council Tax and Business Rates includes adjustments for write offs, credits and outstanding court costs.
- (b) HB Overpayment is not attributable to a financial year in the same way that Council Tax or NDR are i.e. a yearly debit is not raised. It is also not feasible to state when a payment is made which age of debt it has been paid against. For these reasons the outstanding amounts in the report reflect the actual outstanding debt at the date requested, it does not reflect the outstanding debt against current year and previous year debts.
- (c) Parking total outstanding is net of PCNs cancelled and written off.
- (d) HRA tenancy debts (residential rent accounts) are rolling amounts, with no breaks in years or rollovers. Any cash received is applied to the oldest rent week outstanding. The figures shown are total arrears outstanding, and therefore include arrears still outstanding from prior years. The current tenant figures will not reconcile as the amount collected includes any income from the previous year collected in the financial year as there are rolling accounts. The total debt outstanding sum is always correct.

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Summary of Write Off's**Debts written off in 2021/22****Period 1 April 2021 – 31 March 2022 relating to any year**

Write Offs	Council Tax £	Business Rates £	Housing Benefit Overpayment £	Adult Services £	Miscellaneous Income £	HRA (Care Line/Service Charges) £	Parking £	Libraries £	HRA Tenants £
Under £5k	296,471.07	133,209.10	136,514	69,968.67	88,026.80	561.12	416,761	158	213,566.49
£5k-£25k	5,936.17	125,162.44	60,674	68,095.77	33,329.82	0	0	0	17,562.52
Over £25k - previously approved by Cabinet in 2021/22 (upto 30/11/21)	0	158,906.13	0	0	0	0	0	0	0
Total	302,407.24	417,277.67	197,188	138,064.44	121,356.62	561.12	416,761	158	231,129.01

No Cabinet write off's greater than £25,000 are required for this period (1st December to 31st March 2022)

Amount to write off for this Cabinet report	Service Area
NIL	

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