

Southend-on-Sea Borough Council

Agenda

Item No.

Report of Executive Director Finance & Resources

To

Cabinet

on

15th September 2020

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Debt Management - Position to 31st July 2020

Policy and Resources Scrutiny Committee
Cabinet Member : Councillor Gilbert

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 outstanding debt to the Council, as at 31st July 2020;
- Debts that have been written off, or are recommended for write off, in the current financial year as at 31st July 2020;
- Obtain approval for the write off of irrecoverable debts that are over £25,000.

2. Recommendation

That Cabinet:-

- 2.1 Notes the current outstanding debt position as at 31st July 2020 and the position of debts written off to 31st July 2020 as set out in **Appendices A & B**.
- 2.2 Notes that no write offs greater than £25,000 are requested, as shown in **Appendix B**.

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 first report for the financial year 2020/21.

- 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

£102m of Council Tax is due to be collected in 2020/21, with a collection target of 97.5%. As at the 31st July 2020 the Council has collected £35.8m (35%), this reflects a 0.9% decrease in the collection target profile, this is largely due to the cessation of recovery action following the Covid-19 pandemic. The Council continue to work towards the end of year collection profile.

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 at 31st March of relevant year	As at 31 st July 2020
1st April 2016 - 31st March 2017	97.2%	99.5%
1st April 2017 - 31st March 2018	97.5%	99.3%
1st April 2018 - 31st March 2019	97.5%	98.9%
1st April 2019 - 31st March 2020	97.5%	98.1%

4.2 Non Domestic Rates (Business Rates)

£21.8m of Non-Domestic Rates is due to be collected in 2020/21, with a collection target of 98.3%. As at the 31st July 2020 the Council has collected £7.9m (36.6%), this reflects a 2.7% decrease in the collection target profile, this is largely due to the cessation of recovery action following the Covid-19 pandemic. The Council continue to work towards the end of year collection profile.

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 at 31st March of relevant year	As at 31 st July 2020
1st April 2016 - 31st March 2017	97.8%	99.9%
1st April 2017 - 31st March 2018	98.0%	99.8%
1st April 2018 - 31st March 2019	98.6%	99.7%
1st April 2019 - 31st March 2020	98.3%	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 at 31/07/2020 was £5,860,000

It should be noted that of the total amount outstanding;

£2.73m is debt deferred against property;
£0.35m is under 30 days old.

4.6 **Parking**

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

From 1st April 2020 to 31st July 2020 a total of 10,989 Penalty Charge Notices (PCNs) have been issued identifying a projected income of £667,410.00. 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. Generally, 75% of paid PCN's are paid at the discounted payment.

The value of cancelled notices is £41,120.00 and cases written off where no keeper has been identified totals £0.00

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.

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 and Council Tax 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 Service	Under £25,000
Cabinet	£25,000 and above

6. Council Debt Position (as at 31/7/20)

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 2020/21.

- 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 at the 31/7/20 was £86.5million in comparison to the position at 31/7/19 of £96.9million. This shows a decrease of £10.4 million, circa 10.73% for the same period in the last financial year.
- 6.4 This reduction in the outstanding debt figure is mainly due to the extended retail relief awarded which provides businesses with a 100% discount on their business rates bill, a large number of businesses in the borough have received this with an estimated award of nearly £27million (60% of the existing base) with no business rates to pay for the 2020/21 financial year. The outstanding position regarding business rates for 2021/21 as at 31/7/20 is £13.86 million compared to £28.46 million in 2019 showing a reduction in business rates to collect of 51.3%.

The effects of the pandemic have brought about a reduction in Council Tax collection, whilst there does not appear to be much effect on the sum collected for Council Tax against last year, it should be noted we have seen both an increase in the numbers of council tax properties over the last year as well as an increase in charge in the 2020 financial year. Therefore the collection for the end of July position in comparison to last year's collection does not provide a neutral position as the Council is currently showing that it is around £2million in reduced collection than at the same point in the previous financial year.

Soft reminders were issued to over 9,000 residents and businesses in early July to sign post and support where needed, but also as a reminder of the balances outstanding and the ways of help and support that are available. This exercise had a positive effect on collection for the month of July with around £400,000 additional Council Tax been collected compared to the previous months of the financial year.

- 6.5 There has been a 34.5% increase in the Adult Social Care arrears debt from £3.15 million in July 2019 to £4.24million in July 2020, this is mainly due to no reminders of final notices being issued since March 2020 to assist in the collection these debts.

No Parking or library fines have being issued for the 2020/21 financial year to date, the commencement of recovery action for Southend-on-Sea debts is currently under review with Enforcement Agents.

7 Covid-19 Pandemic

An area of major concern for 2020/21 and the future is the local impact that Covid-19 will have in terms of income collection and the potential requirement for increases in bad and doubtful debts right across all our main income sources. The Council has quite rightly prioritised support for local residents, tenants and businesses by not issuing any recovery documentation, no enforcement action by agents and no summons have been issued during 2020/21 so far. The situation is under review currently, along with our strategic and tactical response to the ever changing local demands that have been caused by the pandemic

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