

# Southend-on-Sea Borough Council

Agenda  
Item No.

15

Report of Executive Director  
Finance & Resources

To

Cabinet

on

15<sup>th</sup> June 2021

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## Debt Management - Position to 31<sup>st</sup> March 2021

Policy and Resources Scrutiny Committee  
Cabinet Member: Councillor Gilbert

*A Part 1 Public Agenda Item*

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### 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 31<sup>st</sup> March 2021;
- Debts that have been written off, or are recommended for write off, in the current financial year as at 31<sup>st</sup> March 2021.

### 2. Recommendation

That Cabinet: -

2.1 Notes the current outstanding debt position as at 31<sup>st</sup> March 2021 and the position of debts written off to 31<sup>st</sup> March 2021 as set out in **Appendices A & B**.

### 3. Background Information

3.1 It was agreed by Cabinet on 19<sup>th</sup> 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 2020/21.

- 3.2 Southend-on-Sea Borough Council is made up of several 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).
- 3.3 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.
- 3.4 The process and legislative framework for the collection and write-off of debt was detailed in the report to Cabinet on 17<sup>th</sup> September 2013. It is worth highlighting that the Council has historically had a high collection rate for all debt types. The collection target rates are agreed annually as part of the Council's service and financial planning process. Any outstanding debts are only considered for write-off when all other courses of recovery action available have been undertaken or explored and the debt is considered irrecoverable.

#### **4. Covid-19 Pandemic**

- 4.1 2020/21 has clearly been an unprecedented year right across the world due to the impact of Covid-19 affecting every aspect of normal everyday life. A report providing a comprehensive review of the Council's response and on-going assessment of the impact locally is provided elsewhere on this agenda.
- 4.2 Public sector debt collection and recovery performance has obviously been adversely affected in every local authority right across the country. Southend-on-Sea suspended all forms of formal recovery action across all income streams as part of a co-ordinated response to support our local area and community. Additional debt management advice has been provided and officers have encouraged discussions with all debtors to explore and agree a range of alternative payment plans when required and wherever possible.
- 4.3 During these incredibly challenging circumstances the Council quite rightly prioritised support and provided additional advice to local residents, tenants and businesses by not issuing any formal recovery documentation or taking enforcement action by agents during the financial year. No court action has commenced either so no additional costs have been placed on residents and businesses during 2020/21.
- 4.3 It is hoped that formal recovery action will commence again in 2021/22 and every effort will be made to collect all outstanding debt that is due. This is important to protect the local taxpayer and ensure that everyone that can pay will pay what it is owed. Along with every local authority in the country the Council has reviewed and increased its provision for bad and doubtful debts across all our main income sources. The situation continues to remain under review, along with our strategic and tactical response to the ever-changing local demands that have been caused by the pandemic.

## 5. Councils Debt Types

### 5.1 Council Tax

£101.6 million of Council Tax was due to be collected in 2020/21, with an in-year collection target of 97.5%. The Council achieved a collection rate of 96.7% during the year. This equates to a decrease of 0.8% in percentage terms and a reduction in monetary terms of around £0.850 million in comparison to the collection target profile. Collection of £98.28 million achieved instead of the targeted £99.13 million. This is clearly due to the suspension of formal recovery action throughout the year in response to the Covid-19 pandemic.

Collection has also continued for the outstanding arrears for that year and for previous 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 at 31st March of relevant year	As at 31 <sup>st</sup> March 2021
1st April 2016 - 31st March 2017	97.2%	99.5%
1st April 2017 - 31st March 2018	97.5%	99.4%
1st April 2018 - 31st March 2019	97.5%	99.0%
1st April 2019 - 31st March 2020	97.5%	98.5%

### 5.2 Non-Domestic Rates (Business Rates)

£20.5 million of Non-Domestic Rate was due to be collected in 2020/21, with a collection target of 98.3%. The Council achieved a collection rate of 90.6% during the year. This represents a decrease of 7.7% in percentage terms and a reduction in monetary terms of £1.6 million in comparison to the collection target profile. Actual collection of £18.6 million achieved instead of the targeted £20.2 million. This is largely due to suspension of formal recovery action throughout the year in response to the Covid-19 pandemic.

Collection is also continuing for 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.

	<b>Non-Domestic Rates Performance</b>	
	<b>As at 31st March of relevant year</b>	<b>As at 31<sup>st</sup> March 2021</b>
<b>1st April 2016 - 31st March 2017</b>	<b>97.8%</b>	<b>99.9%</b>
<b>1st April 2017 - 31st March 2018</b>	<b>98.0%</b>	<b>99.8%</b>
<b>1st April 2018 - 31st March 2019</b>	<b>98.6%</b>	<b>99.7%</b>
<b>1st April 2019 - 31st March 2020</b>	<b>98.3%</b>	<b>99.1%</b>

### 5.3 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 circumstances, 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 accordingly to enable recovery of the overpayment. The vast majority of Housing Benefit overpayment is due to claimant error.

### 5.4 Libraries

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

### 5.5 Adult Services

Adult Services make charges for the following range of services

- Contributions for 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 the National Health Service

Adult Social Care debt as at 31<sup>st</sup> March 2021 was £5.560 million

It should be noted that of the total amount outstanding -

- £3.14 million is debt deferred against property;
- £0.44 million is under 30 days old.

## 5.6 Parking

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

From 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021 a total of 13,394 Penalty Charge Notices (PCNs) have been issued identifying a projected income of £418,970.00. 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. Historically, 75% of paid PCN's are paid at the discounted payment.

The value of cancelled notices for 2020/21 is £79,933.95 and cases written off where no vehicle owner has been identified totals £1,133.00.

## 5.7 Miscellaneous Income

This includes 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 the Organisation.

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 or arrangements to be made.

## 5.8 Housing

Under the management of South Essex Homes there are 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 Taxpayers.

## 6. Write-Off Levels

Write off approval levels currently in place are shown in the following tables, which are in accordance with the Financial Procedure rules as 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

**7. Council Debt Position (as at 31/3/2021)**

- 7.1 **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.
- 7.2 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 tends to be reasonably consistent. Other service areas may see greater fluctuations as new debts are created during the financial year.

- 7.3 The Council's current year debt position across all services on 31<sup>st</sup> March 2021 was £22.8 million in comparison to the position on 31<sup>st</sup> March 2020 of £14.6 million. This shows an increase of £8.2 million, circa 56.2% for the same period in the last financial year.
- 7.4 This increase is mainly due to Miscellaneous Income outstanding debt increasing by 152.6% from £4.394 million outstanding in March 2020 to £11 million in March 2021. A lot of this can be contributed to invoices totalling £13.915 million being raised in March 2021, an increase from the £4.343 million previously raised in March 2020. Of the £13.915 million raised, £9.182 million remains outstanding on 31<sup>st</sup> March 2021. A lot of this debt is represented by one invoice totalling £5.500 million which has been paid in full during April 2021.
- 7.5 The debt for Adult Services has also increased during the last year with an outstanding sum of £3.9 million on 31<sup>st</sup> March 2021 in comparison to the position on 31<sup>st</sup> March 2020 of £3.535 million. This is also mainly due to the impact of invoices raised in March 2021 which totalled £4.267 million of which £2.944 million remained outstanding on 31<sup>st</sup> March 2021. A comparison with March 2020 showed a total of £2.092 million and all of it remained outstanding on 31<sup>st</sup> March 2020.
- 7.6 There has also been a large increase in the level of debt outstanding for Business Rates, with an increase of 149.7% from £0.770 million in March 2020 to £1.923 million in March 2021. This is as a direct result of the suspension of recovery action during the financial year to support businesses through the Covid-19 pandemic.
- 7.7 A final area which largely contributes to the increase in the debt position is within Council Tax which has seen an increase of 33% from £2.530 million in March 2020 to £3.370 million in March 2021. As with Business Rates this is largely due to the suspension of recovery action during the financial year to support residents through the Covid-19 pandemic.

## **8. Other Options**

- 8.1 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 available.

## **9. Reasons for Recommendations**

- 9.1 All reasonable steps to recover all outstanding debt have been explored and undertaken before any consideration for write-off is recommended.

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

## **10. Corporate Implications**

### **10.1 Contribution to the Southend 2050 Road Map**

Efficient, effective and appropriate write-off of bad and irrecoverable debts is good financial practice. The Council has a good record of debt collection and recovery performance which contributes to the financial sustainability of the Organisation and supports the delivery of the Southend 2050 ambition.

### **10.2 Financial Implications**

Debts that are written off have been provided for within the Councils bad debt provision and as such there are no specific financial implications. Particularly given the unprecedented events in 2020/21 it is possible that unforeseen and unplanned additional write-offs could occur. It is unlikely but it is possible that the value of future debts written off in any year could exceed the Council's specific level of bad debt provision.

Where there is a possibility that this could 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 must bear the cost of any debts that are written off within their revenue 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 appropriately and expediently 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