

Southend-on-Sea City Council

**Agenda
Item No.**

Report of Deputy Chief Executive and Executive Director Finance & Resources

To

Cabinet

on

8th November 2022

Report prepared by: Richard Campbell
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Debt Management - Position to 30th September 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 outstanding debt to the Council on 30th September 2022.
- Debts that have been written off, or are recommended for write off, in the current financial year on 30th September 2022;
- Obtain approval for the five write offs included in Appendix B as irrecoverable debts that are over £25,000.

2. Recommendation

That Cabinet: -

- 2.1 Notes the current outstanding debt position on 30th September 2022 and the position of debts written off to 30th September 2022 as set out in **Appendices A & B**.
- 2.2 Approve the five write offs for debts that exceed £25,000, as shown in **Appendix B**.
- 2.3 Notes the positive achievement in securing payment for historical rent and service charge debts inherited by the Council following the acquisition of the Victoria Centre in December 2020. (**Paragraph 4.9**)

3. Background

3.1 It was agreed by Cabinet on 19th March 2013 that the Council's 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 2022/23.

3.2 Southend-on-Sea City 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).

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 Council's 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

£113.6m of Council Tax is due to be collected in 2022/23, with a collection target of 97.5%. On the 30th of September 2022 the Council had collected £61m (53.7%), this reflects an increase of 0.9% in the collection target profile. The Council continue to work towards the end of year collection profile and have confidence that the end of year collection target will be achieved this 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	
	On 31st March of relevant year	On 30th September 2022
1st April 2018 - 31st March 2019	97.5%	99.2%
1st April 2019 - 31st March 2020	97.5%	98.8%
1st April 2020 - 31st March 2021	96.7%	98.6%
1st April 2021 - 31st March 2022	97.4%	97.9%

4.2 Non Domestic Rates (Business Rates)

£40.4m of Non-Domestic Rates is due to be collected in 2022/23, with a collection target of 98.0%. On 30th September 2022 the Council has collected £24.2m (59.9%), this reflects a 4.8% increase in the collection target profile and represents a very strong position for the authority this year. The Council continue to work towards the end of year collection profile and have every confidence of reaching the desired end of year collection target.

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	
	On 31st March of relevant year	On 30th September 2022
1st April 2018 - 31st March 2019	98.6%	99.8%
1st April 2019 - 31st March 2020	98.3%	99.8%
1st April 2020 - 31st March 2021	90.6%	98.5%
1st April 2021 - 31st March 2022	97.3%	97.8%

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

The total Adult Social Care debt on 30th September 2022 was £5.416m

It should be noted that of the total amount outstanding:

£2.269m is debt deferred against property

£386,174 is under 30 days old.

£41,000 of the above debt is subject to a repayment plan.

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 2022 to 30th September 2022 a total of 32,568 Penalty Charge Notices (PCNs) have been issued identifying a projected income of £974,140. 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 2022/23 is £115,943 and cases written off where no vehicle owner has been identified totals £13,340.

Note: "In 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."

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 Taxpayers.

4.9 Victoria Centre Historical Rent & Service Charge Debts

When the Council acquired the Victoria Centre in December 2020, it also purchased all **historical debts** from existing tenants for **£1**. The Council through its managing agents have continued to pursue these liabilities and it is pleasing to confirm that as at 30th September 2022, a total of **£175,220.97** + VAT for Rent arrears has been received and a further **£93,339.84** + VAT for Service Charges arrears has also been collected. For information only, the intention is now to formally write-off any remaining outstanding **historical debts** for the period prior to the acquisition date, which are now deemed to be irrecoverable.

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: Accounts Receivable/Adult Services/ Housing Benefit

Designation	Amount
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: NNDR (Non-Domestic Rates) and Council Tax

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

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 of 30th September 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 2022/23.
- 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 tends to be reasonably consistent throughout each financial year. Other service areas may see greater fluctuations as new debts are created during the financial year.
- 6.3 The debt position for Council Tax on 30th September 2022 is £60.6million. This is a slight increase from the previous financial year on 30th September 2021 of £58.2million. Whilst there is an increase in the debt due, this is in the main due to the increased debt that has been billed in this financial year, with the yearly debt charged raising by £6.8million, from £106.8million to £113.6million. This is due to both the increased number of properties subject to a Council Tax charge, but also, the yearly percentage increase in the charge due.

- 6.4 The debt position for Business Rates on 30th September 2022 is £18.1million. This is a slight increase from the previous financial year on 30th September 2021 of £16.7million. The collection in this year however compares favourably, with the reason for the increased debt being due to the change in legislation, which has seen the retail discount for businesses reduce to 50% meaning that an additional £7.4million is due to be collected in this year. Businesses in this category received 100% relief for three months followed by a 66% reduction for nine months in the previous financial year.
- 6.5 The remainder of the debts included within this report are usually monitored on a four monthly basis, and therefore there is no direct comparable data from the previous financial year at the six-month stage of this report. The total of the additional debts included within this report is £18.4million.

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 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.

9. Corporate Implications

9.1 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.

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 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.

Each relevant service areas are aware that they have to bear the full cost of any debts that are written off within their budget, with the exception of Business Rates, as the collection of this debt is not wholly retained by the Council. Only 49% of the debts that are written off in the Business Rate service directly impact the Council 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 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

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.

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 regularly report on the value of debt outstanding, collected and written off.

9.10 Community Safety Implications

There are no Community Safety Implications.

9.11 Environmental Impact

There is no environmental impact.

9.12 **Background Papers**

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

10. **Appendices**

Appendix A Summary of outstanding debt

Appendix B Summary of Write offs