

# Southend-on-Sea City Council

## Report of Deputy Chief Executive and Executive Director Finance & Resources

To

Cabinet

on

12 January 2023

Agenda  
Item No.

Report prepared by: Richard Campbell  
Council Tax Manager

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### Corporate Debt Management - Position to 30 November 2022

Policy and Resources Scrutiny Committee  
Cabinet Member: Councillor Paul Collins

*A Part 1 Public Agenda Item*

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#### 1. Purpose of Report

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

- The current position of outstanding debt due to the Council as at 30 November 2022.
- To summarise the value of debts that have been written off in the current financial year as at 30 November 2022.
- To confirm that there is no approval requested to write off any individual irrecoverable debts that are over £25,000.

#### 2. Recommendation

That Cabinet: -

- 2.1 Notes the current outstanding debt position on 30 November 2022 and the position of debts written off to 30 November 2022 (**Appendices A & B**).
- 2.2 Notes that there is no approval requested to write off any individual irrecoverable debts that exceed £25,000 in this report (**Appendix B**).

#### 3. Background

- 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 second 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).
- 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 a good track record and strong performance in the collection of outstanding debt. The collection targets are agreed annually as part of the Councils service and financial planning process.
- 3.5 Debts are only considered for write off where all other courses of recovery action available have been undertaken or explored and the debt is considered irrecoverable.

#### 4. Councils Debt Types

##### 4.1 Council Tax

£113.5m of Council Tax is due to be collected in 2022/23, with a collection target of 97.5%. On the 30 November 2022 the Council has collected £79.9m (70.4%), this reflects a 0.4% increase against the collection target profile. The Council continues 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 is also continuing for all 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.

	Council Tax Performance	
	On 31st March of relevant year	On 30 <sup>th</sup> November 2022
1st April 2018 - 31st March 2019	97.5%	99.2%
1st April 2019 - 31st March 2020	97.5%	99.0%
1st April 2020 - 31st March 2021	96.7%	98.8%
1st April 2021 - 31st March 2022	97.4%	98.3%

#### 4.2 Non Domestic Rates (Business Rates)

£40.0m of Non-Domestic Rates is due to be collected in 2022/23, with a collection target of 98.0%. This is a slightly reduced target compared to collection performance achieved in the prior two years (target previously 98.3%). It is pleasing to report that the performance this year has been better than ever as we continue the recovery from the pandemic. On 30 November 2022 the Council has collected £30m (75.1%), this reflects an 8.6% increase in the collection target profile and represents the best collection position for the authority at this stage of the year. The Council will continue to work towards achieving the end of year collection profile and have every confidence of exceeding the end of year collection target that has been set.

Collection is also continuing for all 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 30 <sup>th</sup> November 2022
1st April 2018 - 31st March 2019	98.6%	99.9%
1st April 2019 - 31st March 2020	98.3%	99.8%
1st April 2020 - 31st March 2021	90.6%	97.6%
1st April 2021 - 31st March 2022	97.3%	99.2%

#### 4.3 Housing Benefit Overpayment

This includes any payment relating 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 the Council within the appropriate timeframe. The overpayment will be invoiced unless the individual is in receipt of Housing Benefit in which case their benefit entitlement is reduced appropriately to enable recovery of the overpayment. Most Housing Benefit overpayments are 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 the National Health Service

The total Adult Social Care debt on 30 November 2022 was £5.939m

It should be noted that of the total amount outstanding:

£2.260m is debt deferred and help against property

£897,621 is under 30 days old.

£42,223 of the recorded debt is subject to an agreed 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 1 April 2022 to 30 November 2022 a total of 42,117 Penalty Charge Notices (PCNs) have been issued identifying a projected income of £1,263,505. 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, around 75% of paid PCN's are paid at the discounted payment level.

The value of cancelled notices for 2022/23 is £150,126 and cases written off where no vehicle owner has been identified currently totals £104,376.

**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 occasionally recovering overpaid salaries from staff that have left the authority.

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, which can vary depending on the prevailing circumstances

#### 4.8 Housing

Under the management and supervision of South Essex Homes as with any other housing provider there will be arrears of outstanding debt for Rent and Service Charges from our housing tenants. The cost of any write-offs for this category of debt is specifically charged to the Housing Revenue Account and not to Council Taxpayers.

### 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 Council's Corporate Debt Recovery policy.

#### Debt Type: Accounts Receivable/Adult Services/ Housing and Council Tax 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, in accordance with the following levels of approval for write-off.

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

### 6. Council Debt Position (as of 30 November 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, the value tends to be reasonably consistent each year. Other service areas may see greater fluctuations as new debts are created at ore ad hoc times during the financial year.
- 6.3 The Council's debt position across all services on 30 November 2022 was £70.6million in comparison to the position on 30 November 2021 of £68.0million. This shows an increase of £2.6million, circa 3.7% for the same period in the last financial year.
- 6.4 Council Tax has an additional £2million of debt outstanding in comparison to the previous financial year, this however in the main is due to the increase in the tax base, which has resulted in a higher sum being due from residents in this financial year, compared to 2021/22. With the collection percentage in an advanced position in comparison to the previous financial year, there is currently no cause for concern from this area.
- 6.5 Business Rates have a decreased debt position of £1.8million in comparison to the same period in the previous financial year. Whilst collection is better than it has ever been for this stage in the year, changes in legislation and business support are also contributing factors. The retail discount for businesses has reduced to 50% in 2022/23 which has resulted in an additional £6.7million 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.

6.6 The debt summarised under Miscellaneous Income, also has a large variance in comparison to the last year position with an extra £1.3million due to be collected in 2022/23, compared to 2021/22. There is currently no cause for concern though, as a significant amount of this value is made up from recent invoices that have been generated. An extra £10million worth of Miscellaneous Income has been raised in the last 2 months, a significant amount of which has already been received. The remainder of this is due to be collected over the upcoming months and does not currently present a significant risk to successful collection.

## **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 viable options.

## **8. Reasons for Recommendations**

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

If the Council wishes to pursue debts for bankruptcy proceedings, 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 Council's bad debt provision and as such there should be no specific additional financial implications. However, it is possible that unforeseen and unplanned additional 'write offs' could 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 must bear the full cost of any debts that are written off within their budget, except for 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's 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