

**Meeting:** Cabinet  
**Date:** 28 June 2023  
**Classification:** Part 1  
**Key Decision:** No  
**Title of Report:** **Corporate Debt Management**  
**Executive Director:** Joe Chesterton (Finance & Resources)  
**Report Author:** Richard Campbell (Council Tax Manager)  
**Executive Councillor:** Cllr Tony Cox (Leader of the Council & Portfolio Holder for SEND)

## **1. Executive Summary**

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

- The end of year position, 31 March 2023 of outstanding debt to the Council.
- Debts that have been written off, or are recommended for write off, for the financial year to 31 March 2023;
- Obtain approval for the write off of irrecoverable debts that are over £25,000.

## **2. Recommendations**

**It is recommended that Cabinet:**

- 2.1 Notes the finalised outstanding debt position as at 31 March 2023 and the position of debts written off to 31 March 2023 as set out in **Appendices A & B**.
- 2.2 Approve the six write offs for debts that exceed £25,000, as shown in **Appendix B**.

## **3. Body of the Report**

- 3.1 It was agreed by Cabinet on 19 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 2022/23.
- 3.2 Southend-on-Sea City Council is made up of a number of service areas, all of

which are 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 service/rental charges 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, the position regarding outstanding debt levels 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 17 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.

### 3.5 Council Tax

£113.3m of Council Tax was due to be collected in 2022/23, with a collection target of 97.5%. The Council achieved a collection rate of 97.5% during this year meaning in percentage terms the target was achieved. Total collection for the year in this area was £110.5m. Achieving this level of performance in what has been recognised nationally as a very difficult year is excellent and compares favourably with the rest of the country. The team have also effectively managed the Council Tax Rebate Scheme paying approx.70,000 households much needed support with energy bills.

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 written off.

	Council Tax Performance	
	As of 31 March of relevant year	As of 31 March 2023
1 April 2018 - 31 March 2019	97.5%	99.2%
1 April 2019 - 31 March 2020	97.5%	99.0%
1 April 2020 - 31 March 2021	96.7%	98.9%
1 April 2021 - 31 March 2022	97.4%	98.5%

The total level of Council Tax collectable increased for 2022/23, the Council now has a total cumulative outstanding debt level of circa £10m, this is an increase of around £1m as at the end of the last financial year. Plans are in place to commence a review later this year to assess older debts to ensure all debts held on account remain recoverable with £3.7m of this debt being older than three years.

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

£40m of Non-Domestic Rate was due to be collected in 2022/23, with a collection target of 98.0%. The Council achieved a collection rate of 98.7% during this year reflecting an increase of 0.7% in percentage terms and an increase in monetary terms of £0.26m in comparison to the collection target profile. Collection of £39.47m achieved instead of the targeted £39.21m. In percentage terms, this is the highest collection performance in this area in the last decade and reflects an extremely positive return for businesses following the reduced collection in recent years during the Covid pandemic.

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.

	<b>Non-Domestic Rates Performance</b>	
	<b>As of 31 March of relevant year</b>	<b>As of 31 March 2023</b>
<b>1 April 2018 - 31 March 2019</b>	<b>98.6%</b>	<b>99.9%</b>
<b>1 April 2019 - 31 March 2020</b>	<b>98.3%</b>	<b>99.9%</b>
<b>1 April 2020 - 31 March 2021</b>	<b>90.6%</b>	<b>99.8%</b>
<b>1 April 2021 - 31 March 2022</b>	<b>96.3%</b>	<b>99.7%</b>

Following a largely successful year of collection, the business rate debt outstanding is £1.3m, which is a considerable reduction from the £2.2m of debt held on account as of 31 March 2022.

### 3.7 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.

Following a successful year of collection there has been a decrease of debt in this area, from £3.3m to £2.9m as of 31 March 2023.

### 3.8 Libraries

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

### 3.9 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 31 March 2023 was £8,238,037

It should be noted that of the total amount outstanding.

£2.951m is debt deferred against property;  
£2.580m is under 30 days old.

The outstanding debt for this area has risen from £5.5m to £8.2m in the last year. The Council have highlighted this as an area of concern and will be conducting a review of working practices for this debt area with a view to maximising collection in the upcoming financial year.

### 3.10 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 31 March 2023 a total of 62,005 Penalty Charge Notices (PCNs) have been issued identifying a projected income of £1,867,365. 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 the period 1 April 2022 to 31 March 2023 is £213,123 and cases written off where no vehicle owner has been identified totals £112,456.

**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.”

### 3.11 **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.

There has been a significant increase in the write off position for this area for debts under £5k. This is due to the team carrying out a review of all outstanding Rent Deposit Loan invoices. It was agreed between the Director of Housing and Executive Director of Finance & Resources that any invoices that have been rigorously pursued through debt collection agencies would now be written off at that stage, as court action has proven ineffective historically and costly, due to the nature of the debts. This has resulted in £310,835 being written off as uncollectable.

The end of year debt is circa £11.4m, compared to circa £12m last year. There has been a significant increase in Miscellaneous Income collectable debt, up from circa £40m last year to circa £57m this year, with circa £12m of this debt raised in March 2023. Of the £12m raised in March, one invoice covered £2.5m of this, which has been paid at the time of writing this report. A further £4m has been raised to various government bodies and represents little risk of not being received.

### 3.12 **Housing**

Under the management of South Essex Homes there are arrears of outstanding debt of Rent and Service Charges for housing tenants. Extensive recovery procedures are followed but if the debt is deemed to be irrecoverable then 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.

### 3.13 Write-Off Levels

Write off approval levels currently in place are shown in the tables below, which are in accordance with the latest Financial Procedure rules set out in the Constitution and the latest corporate debt recovery policy.

#### **Debt Type: 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
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
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

#### **4. Reasons for Decisions**

- 4.1. Debt collection is conducted independently by each department in accordance with the Council's Corporate Debt Management Policy in order to ensure a fair and consistent approach is applied to each case, and to maximise collection for the Council.
- 4.2. Each write-off is considered on an individual basis to assess the viability of collection and via the Council's Corporate Debt Management Policy to ensure a standard consistent approach.

#### **5. Other Options**

- 5.1. 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.

#### **6. Financial Implications**

- 6.1. 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 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 will have to bear the full cost of the value of debts that are written off from within their service's budget.

#### **7. Legal Implications**

- 7.1. 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.

#### **8. Carbon Impact**

- 8.1. No carbon impact implications.

## **9. Equalities**

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 best practice approach.

## **10. Consultation**

10.1. No consultation required for the write off of debt.

## **11. Appendices**

11.1. Appendix A: Summary of outstanding debt  
Appendix B Summary of Write offs