

Title: Corporate Debt Management - Position as at 31 July 2024

Meeting: Cabinet

Date: 16 September 2024

Classification: Part 1

Policy Context: All Corporate Priorities

Key Decision: No

Executive Director: Joe Chesterton, Finance and Resources

Report Authors: Pete Bates, Director of Financial Services,
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Executive Councillor: Councillor Collins – Cabinet Member for Finance, Assets and Investments

1. Executive Summary

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

- The cumulative position of outstanding debt owed to the City Council as at 31 July 2024.
- Debts that have been written off, or are recommended for write off, for the financial year to 31 July 2024.
- To confirm that no approval is requested at this meeting for the write off of any individual irrecoverable debts that are over £25,000.

2. Recommendations

That Cabinet:

- 2.1. Note the finalised outstanding debt position as at 31 July 2024 and the position of debts written off to 31 July 2024 as set out in **Appendices A & B**.
- 2.2. Note that there are **NO** individual write offs proposed exceeding £25,000 for this report.

3. Background Information

- 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 first status report for the financial year 2024/25.
- 3.2. Southend-on-Sea City Council is made up of several service areas and several will have some responsibility for the administration, collection and recovery of outstanding debt. The main substantial service areas are Accounts Receivable and Revenues which are linked to the billing and collection of most 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).
- 3.3. Other areas of debt status that are included in this report include the recovery of Housing Benefit Overpayments, Parking and Enforcement penalties, Adult Social Care and Library fines. In addition, the position regarding outstanding debt levels for the Housing Revenue Account for rent arrears and service charges is also presented.
- 3.4. 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 strong track record of performance with regards to the collection of debt. The collection targets are agreed annually as part of the Council's service and financial planning process.
- 3.5. Debts are only considered for write off after all other options for recovery have been undertaken or explored and the debt is considered irrecoverable.

4. Council Tax

- 4.1. A total value of **£127.3M** of Council Tax has been billed to residents for the 2024/25 financial year, the team are aiming to collect 97.5% of this sum over the course of the year, **£124.2M**. The team have achieved a collection level of **£45.4M** which represents a collection rate of 35.7%. This represents a slight **shortfall of 0.1%** in terms of the profiled collection percentage or a reduced collection amount of **£146,000** during the first 4 months of the year; whilst this is not as strong a performance as anticipated, based on our previous track record of collection, confidence remains high that the year-end target will be achieved.

- 4.2. Collection is also continuing for all 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 written off.

Council Tax Performance		
	As of 31 March of relevant year	As of 31 July 2024
1 April 2020 - 31 March 2021	96.7%	99.2%
1 April 2021 - 31 March 2022	97.4%	98.8%
1 April 2022 - 31 March 2023	97.5%	98.6%
1 April 2023 - 31 March 2024	97.6%	98.0%

- 4.3. The Council hold a total of **£11.9M** of uncollected debt for prior financial years. Over the course of the year, the team aim to collect **£3.5M (30%)** of this debt this year.
- 4.4. During the first 4 months of the year, the team have collected a total of **£1.1M** in respect of prior financial years, reducing the debt position to **£10.8M**; work will continue in this area throughout the year to try to achieve at least the target of **£3.5M**.
- 4.5. As reported in the final report for 2023/24, the Council intends to complete a full review of all prior year debt during the course of this financial year, with a view to removing those debts which are deemed to be irrecoverable. To provide additional reassurance the level of debt which is deemed unrecoverable and ultimately written off will have been **100% provided** for within the Council's bad debt provision.
- 4.6. Whilst this is a priority of the team, it is anticipated that this work will commence in the third or fourth quarter of this year, allowing the team to focus on current year debt recovery challenges and to ensure an effective transition to the new structure arrangements following the implementation of the Council's first phase of the 'Front Door' review on 1 July 2024.

5. Non-Domestic Rates (Business Rates)

- 5.1. A total value of **£40.8M** of Business Rates has been billed to local businesses for the 2024/25 financial year, the team are aiming to collect **98.6%** of this sum over the course of the year **£40.2M**. In the first third of this financial year, the team have achieved a collection of **£16.8M** which represents a collection of 41.1%. This represents an **increase of 1%** in terms of the collection percentage or an increased collection amount of **£417,000** during the first 4 months of the year, confidence year-end target will be achieved.

- 5.2. Collection is continuing for all 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.

	Non-Domestic Rates Performance	
	As of 31 March of relevant year	As of 31 July 2024
1 April 2020 - 31 March 2021	90.6%	99.9%
1 April 2021 - 31 March 2022	96.3%	99.6%
1 April 2022 - 31 March 2023	98.7%	99.4%
1 April 2023 - 31 March 2024	98.9%	99.2%

- 5.3. The Council hold a total of **£1.6M** of uncollected debt for prior financial years. Over the course of the year, the team aim to collect **£1M** (60%) of this debt.
- 5.4. During the first 4 months of the year, the team have collected a total of **£0.4M** in respect of prior financial years, reducing the debt position to **£1.2M**; work will continue in this area throughout the year to achieve the target of **£1M**.

6. Housing Benefit Overpayment

- 6.1. This is related to any entitlement to a rent allowance or rent rebate that a person has received but is not eligible for. Most commonly this accumulates when there is a change to a person's circumstance, and they fail to notify the Council 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 individual claimant error.

Housing Benefit Overpayment Created by Year				
	Claimant Error	LA/DWP Error	Admin Delay	Liability Reduction
1 April 23 - 31 March 24	£760,762.17	£46,109.05	£30,306.02	£51,228.21
1 April 24 - 31 July 24	£335,253.22	£23,754.30	£23,275.45	£16,214.73

- 6.2. The 'Admin Delay' created to end of July 2024 is higher than the same period last year due to an increase in work causing delays in processing. As the team's workflow is now back up to date, it is anticipated that this will improve. The team are operating well within the set Department for Work & Pensions (DWP) thresholds.

6.3. Collection during the reporting period is comparable to the prior year, and as a result the level of debt in this area is not increasing, the cumulative debt position on 31 March 2024 is **£4M**, reduced from **£4.2M** in the previous financial year.

7. Libraries

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

8. Adult Services

8.1. 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

8.2. As at 1 April 2024, the level of accumulated Adult Social Care debt outstanding was around **£9.6M**, for the period from 1 April 2024 to 31 July 2024, a further **£5.035M** has been raised. Actual collection of 'arrears' (debt outstanding as at 1 April 2024) during the first 4 months of this year is **£2.871M** and the collection of new debt raised since 1 April 2024 is **£3.476M** (£6.347M collected in total). Overall collection performance is improving but the cumulative debt outstanding as at 31 July is now around **£8.3M**. Debt collection remains challenging due to a combination of the increased rates paid to care providers, which following appropriate means testing, is then proportionately passed onto the service user to make an appropriate increased contribution, together with capacity issues within the team.

8.3. Analysis of this outstanding debt currently shows that, **£2.196M (26%) is debt deferred** against property/assets and **£524k (6%) is under 30 days old**, which includes sums owed by the National Health Service or other local authorities.

8.4. Of the remaining **£5.254M (63%)**, the majority has been overdue for greater than one year and in some cases, the debt has historically been chargeable to the service users' estate. This continues to pose a significant risk to recovery as it is unsecured. This has been reflected by an appropriate increase in the Bad Debt provision specifically earmarked for this Service area. A full detailed analysis of all historical outstanding debt is continuing and a further update to Cabinet on the status will be provided as part of the Corporate Debt Management report as at 30 September 2024 in November 2024.

- 8.5. Given the transfer of the Adult Social Care Finance Team from 1 April 2024 to Financial Services, a comprehensive review of all working practices and arrangements is continuing. Sharing knowledge and capacity will help to improve processes, the customer experience and maximise the levels of debt collection.

9. Parking

- 9.1. The recovery of unpaid Penalty Charge Notices is undertaken by a semi-judicial process under the current Traffic Management Act 2004.
- 9.2. From 1st April 2024 to 31st July 2024 a total of **17,641 Penalty Charge Notices (PCNs) have been issued** identifying a **potential income of £529,330**. 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 also be paid at a discounted rate of 50% of the charge if paid within 14 days of the date of issue.
- 9.3. 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 potential income level. Historically, 75% of paid PCN's are paid at the discounted payment.
- 9.4. The value of **cancelled notices** for the period **1st April 2024 to 31st July 2024** is **£118,046** and cases **written off where no vehicle owner has been identified totals £120.00**.

Note: "In the 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."

10. Miscellaneous Income

- 10.1. 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 who have left the Organisation.
- 10.2. 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.
- 10.3. Total debt outstanding as at 31 July 2024 is **£8.029M** compared to **£4.831M** at the same time last year, an **increase of £3.198M**.
- 10.4. This increase is largely due to several high value invoices being raised during July and are not yet due for payment. In-year collection levels remain positive, an **additional £6.929M of debt** has been raised in-year, but an **extra £3.962M of in-year debt has also been collected** in monetary terms during this financial year, resulting in a current **collection rate of 74.56%** of the total debt raised.

11. Housing

- 11.1. 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 Taxpayers.

12. Corporate Debt Collection and Recovery Policy and Write-Off Levels

- 12.1. The Council's existing Corporate Debt Collection and Recovery Policy is being refreshed to ensure working practices remain robust. A future report will be presented for approval to an updated policy which aligns the varying debt streams following the integration of the Adult Social Care service under the remit of the Director of Financial Services.
- 12.2. 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 Collection and Recovery Policy.
- 12.3. Please note that following the recent restructure in Revenues the new job titles have been applied to the data for Council Tax and Non-Domestic Rates

Debt Type: Accounts Receivable/Adult Services/ Housing and Council Tax Benefit	
Designation	Amount
Assistant Manager	under £5,000
Manager	Up to £10,000
Executive Director (Finance & Resources)	Between £10,000 and £25,000
Cabinet	£25,000 and above

Debt Type: Council Tax and NNDR (National Non-Domestic Rates)	
Designation	Amount
Team Leader	Up to £2,000
Team Manager	Up to £5,000
Service 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

South Essex Homes, as managing agent, submit proposed write-offs to the Council, following which the following approval levels are exercised.

Debt Type: Housing Rents and Service Charges	
Designation	Amount
Jointly - Head of Housing Service and Executive Director (Finance & Resources)	Under £25,000
Cabinet	£25,000 and above

13. Reasons for Decisions

- 13.1. Debt collection should form an important consideration for most service areas but predominantly collection is secured by services now reporting into the Director of Financial Services. All action instigated remains in accordance with the Council's Corporate Debt Collection and Recovery Policy to ensure a fair and consistent approach is applied to each case, and to maximise income collection for the Council.
- 13.2. Each write off is considered on an individual basis to assess the viability of collection and via compliance with the Council's Corporate Debt Collection and Recovery Policy to ensure a standard consistent approach is applied.

14. Other Options

- 14.1. 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.

15. Financial Implications

- 15.1. 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 additional financial implications for the Council. 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.

- 15.2. Where there is a potential for this 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.
- 15.3. 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.
- 15.4. The Council's bad debt provision is calculated according to the type of debt using an agreed formula. Exceptions can be made on a case-by-case basis by Finance Officers applying their professional judgement considering specific service knowledge. The proposed arrangements for each debt type are reviewed annually, and the approach is agreed with the Council's external auditors.
- 15.5. For General Fund debt the following percentages are used to calculate the value of provisions for various types of debt

Type of debt	Age of debt in months						
	<1	1-2	2-3	3-4	4-6	6-12	>12
Sundry Debt	0%	10%	10%	50%	50%	90%	90%
Adult Social Care	0%	10%	10%	50%	50%	90%	100%
Commercial Rents	0%	10%	15%	25%	50%	70%	90%

- 15.6. Where there is an active payment plan in place no bad debt provision is made.
- 15.7. Provisions for bad debt associated with Council Tax or Business Rates are calculated as part of the Collection Fund accounting arrangements and apportioned between Southend-on-Sea City Council as the billing authority and preceptors. These calculations have followed a similar formulaic approach for bad debt provision over the last 23 years. The approach and calculations are also shared with the Council's external auditors each year.
- 15.8. Provisions for bad debt associated with the Housing Revenue Account follow specific recommended guidelines. The Council follows this approach, and the overall bad debt provision is calculated on this basis.

16. Legal Implications

- 16.1. 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.

17. Carbon Impact

- 17.1. No carbon impact implications.

18. Equalities

- 18.1. Debt Collection is managed through a Corporate Debt Collection and Recovery 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.

19. Consultation

- 19.1. No consultation required for the write off of debt.

20. Appendices

- 20.1. Appendix A: Debt Management Position 31.07.2024
Appendix B: Write Offs 31.07.2024

Report Authorisation

This report has been approved for publication by:

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	Name:	Date:
S151 Officer	Joe Chesterton	04/09/2024
Monitoring Officer	Susan Zeiss	05/09/2024
Executive Director(s)	Joe Chesterton	04/09/2024
Relevant Cabinet Member	Councillor Collins	04/09/2024