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| Title: | Corporate Debt Management - Position as of 30 November 2024 |
| Meeting: | Cabinet |
| Date: | 13 January 2025 |
| Classification: | Part 1 |
| Policy Context: | All Corporate Priorities |
| Key Decision: | No |
| Report Authors: | Pete Bates, Director of Financial Services, Richard Campbell, Revenues Manager |
| 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 of 30 November 2024.
- Debts that have been written off, or are recommended for write off, for the financial year to 30 November 2024.
- Seek approval to write off irrecoverable debts that are over £25,000 in accordance with the Council's constitution.

2. Recommendations

That Cabinet:

- 2.1. Note the finalised outstanding debt position as of 30 November 2024 and the position of debts written off to 30 November 2024 as set out in **Appendices A & B**.
- 2.2. Approve the three proposed write offs exceeding £25,000, as shown in **Appendix B**.

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 second status report for the financial year 2024/25.
- 3.2. Southend-on-Sea City Council is made up of several service areas, most of which 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 success rate 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 **£127.1M** 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, **£124.0M**. In the first eight months of the financial year, the team have collected **£88.2M** which represents a collection rate of 69.4%. This represents a slight **shortfall of 0.1%** against the targeted collection percentage or a reduction of collection of **£108k** in monetary terms as at 30 November 2024; whilst this is not positive, this does not represent a significant financial risk at this time, and we remain confident that the overall year-end target will be achieved by 31 March 2025.
- 4.2. Collection is also continuing for all outstanding arrears for previous financial years. The following table 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 30 November 2024 |
| 1 April 2020 - 31 March 2021 | 96.7% | 99.3% |
| 1 April 2021 - 31 March 2022 | 97.4% | 98.9% |
| 1 April 2022 - 31 March 2023 | 97.5% | 98.7% |
| 1 April 2023 - 31 March 2024 | 97.6% | 98.3% |

- 4.3. The Council holds a total of **£11.8M** of uncollected debt for prior financial years. Over the course of the year, the team aim to collect **£3.5M** (30%) of this debt.
- 4.4. At the time of this report, the team have collected a total of **£1.8M** in respect of prior financial years, reducing the debt position to **£10.0M**; work will continue in this area throughout the year to try to collect as much of this historical debt as possible by the financial year-end.
- 4.5. The team had hoped to complete a full review of all prior year debt during this financial year, however, to date, this has not been possible. The team's focus has had to remain on collecting current year date and significant support and training, since July 2024, with several new team members joining the service as part of the implementation of the Council's Front Door project. This extensive programme is ongoing with 9 of the team currently undergoing developmental training, including 3 new team members that joined the service on 2 December 2024. The team has a further 2 vacancies which are currently being advertised, the Revenues team have been operating throughout the year at reduced capacity.
- 4.6. The cleansing of prior year debt is a key priority for the team, and it is hoped that as training progresses, focus will be able to be diverted to conducting a thorough analysis of the debt, with a view to both increasing collections, and removing those debts which are deemed to be irrecoverable. To provide additional reassurance the level of debt which is deemed unrecoverable and ultimately requiring to be written off will have been **100% provided** for within the Council's bad debt provision.

5. Non-Domestic Rates (Business Rates)

- 5.1. A total value of **£40.5M** of Business Rates has been billed for the 2024/25 financial year, the team are aiming to collect 98.6% of this sum over the course of the year **£39.9M**. In the first eight months of the financial year, the team have achieved a collection of **£29.3M** which represents a collection of 72.3%. This represents an increase of 0.8% in terms of the targeted collection percentage or **an increased collection in monetary terms of £322,000** as of 30 November 2024. We remain confident that the team will achieve or exceed the end of year target.

- 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 30 November 2024 |
| 1 April 2020 - 31 March 2021 | 90.6% | 99.9% |
| 1 April 2021 - 31 March 2022 | 96.3% | 99.7% |
| 1 April 2022 - 31 March 2023 | 98.7% | 99.5% |
| 1 April 2023 - 31 March 2024 | 98.9% | 99.6% |

- 5.3. The Council holds a total of **£1.63M** of uncollected debt for prior financial years. Over the course of the year, the team aim to collect **£980k** (60%) of this debt.
- 5.4. At the time of this report, the team have collected a total of **£830k** in respect of prior financial years, reducing the debt position to **£800k**; work will continue in this area throughout the year to try to collect as much of this historical debt as possible by the financial year-end.

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 - 30 November 24 | £335,253.22 | £23,754.30 | £23,275.45 | £16,214.73 |

- 6.2. The Admin Delay is higher than the same period last year due to an increase in workload during the earlier part of the year. The Council remain well within the threshold and currently predict a **£160k** buffer by the end of the financial year.

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 to date 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. The level of associated adult social debt billed annually is substantial (£10M+) and as of 30 November 2024, the cumulative level of outstanding debt was **£8.079M**, which is an **increase of £255k** compared to this time last year. Whilst the level debt in total is generally comparable to the previous financial year, it is worth noting that there was a **£1.8M increase** last year due to the increased rates paid to care providers. A proportion of which and following a means tested financial assessment and if appropriate, an increased contribution will then be billed to the service user.

8.3. Further analysis of this accumulated debt shows that, **£2.023M (25%) is debt deferred** against property/assets and **£967k (12%) is under 30 days old**, which includes sums owed by the National Health Service or other local authorities.

8.4. Of the remaining **£5.089M (63%)**, the majority has been overdue for greater than one year and in some cases, the customer ID reflects that the debt is now charged to the service users' estate. This poses a significant risk to recovery as it is unsecured. Positively when compared to the last quarter debt outstanding figure of **£5.254M**, this represents a reduction of **£165k**.

8.5. A detailed analysis and status of Adult Social Care debt has been finalised and continued work is progressing on the older debt. The implementation of utilising debt collection agencies has commenced for those accounts where all attempts to collect payment have been unsuccessful. Additional capacity and resource is planned to start early in 2025 which should improve debt collection rates further.

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 30th November 2024 a total of 38,571 **Penalty Charge Notices (PCNs) have been issued** identifying a **potential income of £1,137,475.00**. 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 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 1 April 2024 to 30 November 2024 is £186,446** 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 of 30 November 2024 is **£7.072M** compared to **£8.427M** at the same time last year, a **decrease of £1.355M**.
- 10.4. In-year and arrears collection levels have both remained above their KPI targets throughout the year. An **additional £3.872M of debt** has been raised in-year, but an **extra £5.373M of in-year debt has been collected** in monetary terms during this financial year, resulting in a current **collection rate of 88.24%** 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. Debt Collection and Recovery Policy and Write-Off Levels

- 12.1. 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.

| 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 Management 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 Management 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 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.

19. Consultation

- 19.1. No consultation required to write off debt.

20. Appendices

- 20.1. Appendix A: Debt Management Position 30.11.2024

Appendix B: Write Offs 30.11.2024

Report Authorisation

This report has been approved for publication by:

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|--|--------------------|--------------|
| | Name: | Date: |
| S151 Officer | Joe Chesterton | 19/12/2024 |
| Monitoring Officer | Susan Zeiss | 11/12/2024 |
| Executive Director(s) | Joe Chesterton | 19/12/2024 |
| Relevant Cabinet Member | Councillor Collins | 16/12/2024 |