

**Title:** Corporate Debt Management - Position to 30 November 2023

**Meeting:** Cabinet

**Date:** 11 January 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,  
Richard Campbell, Council Tax Manager.

**Executive Councillor:** Councillor Cox Leader and Cabinet Member for SEND

## 1. Executive Summary

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

- The position as at 30 November 2023 of outstanding debt to the Council.
- Debts that have been written off, or are recommended for write off, for the financial year to 30 November 2023.
- Specific irrecoverable debts that are over £25,000 and therefore require Cabinet approval.
- The Council's updated Debt Collection and Recovery Policy

## 2. Recommendations

- 2.1. That Cabinet considers the outstanding debt position as of 30 November 2023 and notes the position of debts written off under delegation to 30 November 2023 as set out in **Appendices A & B**.
- 2.2. That Cabinet approves the two write-offs exceeding £25,000, as shown in **Appendix B**.
- 2.3. That Cabinet approves the updated Debt Collection and Recovery Policy, presented at **Appendix C**.

### **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.
- 3.2. Southend-on-Sea City Council is made up of several service areas, of which all are responsible for the collection and administration of outstanding debt. The main areas are our Accounts Receivable team who conduct a large proportion of invoicing and the collection of debts owed to the Council. Our Revenues team are responsible for the collection of 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, 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 reported.
- 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 good success rate in 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 where all other courses of recovery available have been undertaken or explored and the debt is considered irrecoverable.

### **4. Council Tax**

- 4.1. £119.9m of Council Tax is due to be collected in 2023/24, with a year-end collection target of 97.5%. The Council to date has collected a total of £83.3m, with a percentage collection of 69.5% achieved. This is currently £239k less than the target profile for this period of the year but does not present a risk to the overall end of year collection target being achieved.

- 4.2. Collection continues for historic arrears from previous years. The following chart 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.

<b>Council Tax Performance</b>		
	As of 31 March of relevant year	As of 30 November 2023
<b>2019/20</b>	97.5%	99.1%
<b>2020/21</b>	96.7%	99.0%
<b>2021/22</b>	97.4%	98.7%
<b>2022/23</b>	97.5%	98.4%

- 4.3. The team continue to collect debts outside of this financial year and at time of reporting have collected £1.9m, meaning 17.9% of all historical debt held has now been collected.

- 4.4. The revenues team plans to commence a comprehensive review later this year in connection to any debts that are several years old and where the Council has a 100% bad debt provision. This remains a priority of the team, and work will hopefully commence in this area in early 2024, after the large court sessions have been reviewed.

## 5. **Non-Domestic Rates (Business Rates)**

- 5.1. £38.5m of Non-Domestic Rate is due to be collected in 2023/24, with a collection target of 98.5%. The Council to date has collected a total of £27.5m, with a percentage collection of 71.5% achieved. This is currently £255k higher than the target profile for this period of the year therefore presents a positive position, with no current risk to the end-of-year collection. Collection is continuing for historic arrears from previous years. The following chart 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>		
	As of 31 March of relevant year	As of 30 November 2023
<b>2019/20</b>	98.3%	99.7%
<b>2020/21</b>	90.6%	99.6%
<b>2021/22</b>	96.3%	99.1%
<b>2022/23</b>	98.7%	98.9%

The team continue to collect debts outside of this financial year and at time of reporting have collected £206k, meaning 12.6% of all historic debt held has been collected. This is lower than expected for this time of the year and analysis is being conducted to ensure the appropriate action is being taken in respect of all debts that remain outstanding.

## 6. Housing Benefit Overpayment

- 6.1. This is any 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.

<b>Housing Benefit Overpayment Created by Year (£000s)</b>				
	Claimant Error	LA/DWP Error	Admin Delay	Liability Reduction
2022/23	651	55	36	45
2023/24 (to date)	605	34	20	37

- 6.2. Collection during the reporting period is comparable to last year, and as a result the debt in this area is similar, the cumulative debt position on 30 November 2023 is £4.2m, reduced from £4.5m in the previous financial year.

## 7. Libraries

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

## 8. Adult Services

- 8.1. Adult Services make charges for the following services:

- (i) Contributions to residential accommodation
- (ii) Charges for non-residential services i.e. Home Care, Community

- 8.2. Support, Day Services and transport to services

- (iii) Charges to other local authorities
- (iv) Charges to National Health Service

- 8.3. As of 30 November 2023, the level of debt was £7.842m, which is an increase of £1.885m compared to this time last year. The main driver of the increased debt level is the increased rates paid to providers, which are subject to means testing and passed onto the service user.
- 8.4. Of this debt, £2.095m (27%) is debt deferred against property and £0.958m (12%) is under 30 days old, which includes sums owed by the National Health Service or other local authorities.
- 8.5. Of the remaining £4.771m (61%), the majority has been overdue for greater than one year and in some cases, the debt is now charged to the service users' estate. This poses 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.
- 8.6. Social care debt management has been highlighted as an area for improvement and the council recognises the potential vulnerability of the service user and the need for this debt to be managed in a sensitive manner. A review of working practices from financial assessment through to billing, collection, recovery and reporting for social care debt has commenced with the intention of integrating the Adult Social Care finance team into the Finance and Resources Directorate, under the leadership of the Director of Financial services. Consultation with appropriate staff will commence in early 2024, with a view to completing the transition for the start of the 2024/25 financial year. This would also have the benefit of delivering a corporate debt collection focus for all debt streams for the whole Council.

## **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 1 April 2023 to 30 November 2023, a total of 48,500 Penalty Charge Notices (PCNs) have been issued identifying a projected income of £1.45m.
- 9.3. 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.
- 9.4. 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.
- 9.5. The value of cancelled notices for the period 1 April 2023 to 30 November 2023 is £170,479 and cases written off where no vehicle owner has been identified totals £22,256.

- 9.6. Since 2018/19 the number of PCN's issued has increased by 31%. Although this is expected to bring more income into the Council it is also expected to result in an increased value of write offs too. Proportionally, the number of cancelled PCN's has not increased at this same rate which shows that those currently issued are more robust and appropriate.
- 9.7. To reduce the value of outstanding debt the service is considering exploring the possibility of joining the National Persistent Evader Database (NPED) which is intended to help authorities navigate their way through persistent evaders whom rarely or never pay legitimate fines. In conjunction, the NPED may also help to reduce our Traffic Enforcement Centre (TEC) costs as in some cases it is not viable to progress to court if the debt is deemed unlikely to be recovered.

**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."

## **10. Miscellaneous Income**

- 10.1. This is a range of services that the Council charge for including such areas as rental income on commercial properties, recharges to other bodies for services we have provided.
- 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. There has been a significant increase in the write off position due to high value debt agreed for write off in the previous quarters report.
- 10.4. Total debt outstanding at time of reporting is £5.9m compared to £3.7m at the same time last year, an increase of £2.2m.
- 10.5. This increase is not a cause for concern, with an additional £5m raised in this financial year and collection rates remain positive at 91.05%, 1.05% above target for this period of the year.

## **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. The current Debt Collection and Recovery Policy was approved in November 2017, at this time delegation was given to the Executive Director (Finance & Resources) to update the values and level of write-off that can be written off by various designated officers with the Council.
- 12.2. As part of the last Debt Management report to Cabinet, it was recommended that the current Debt Collection and Recovery Policy be reviewed, with any proposed changes being brought back for consideration and approval. A full assessment has been undertaken and it has been concluded that the Council's existing policy remains robust and effective and therefore only minor amendments have been made. The exception is the collection of Housing Benefit Overpayments, which has been updated in its entirety. An updated draft policy is attached at **Appendix C** for approval.
- 12.3. When the integration of the adults social care finance team into the Finance and Resources Directorate takes place, the policy may need to be further reviewed alongside this transition to assess and document any potential new enhancements to processes, procedures, working practices and workflows specifically for social care debt. Any further changes to the policy will then come back to Cabinet for consideration and final approval.
- 12.4. Write-off approval levels are not proposed to be changed and are shown in the following tables and are in accordance with the latest Financial Procedure rules as set out in the Constitution and the updated corporate debt recovery policy.

<b>Debt Type: Accounts Receivable/Adult Services/ Housing and Council Tax Benefit</b>	
<b>Designation</b>	<b>Amount</b>
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

<b>Debt Type: Council Tax and NNDR (National Non-Domestic Rates)</b>	
<b>Designation</b>	<b>Amount</b>
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

<b>Debt Type: Parking</b>	
<b>Designation</b>	<b>Amount</b>
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

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

<b>Debt Type: Housing Rents and Service Charges</b>	
<b>Designation</b>	<b>Amount</b>
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 is conducted independently by the following teams Accounts Receivable, Council Tax, Business Rates, Housing Benefit Overpayment, Parking and Enforcement penalties, Adult Social Care. All action instigated is 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 collection for the Council. The Council have agreed to consolidate the debt collection of the services included in this report to form a Corporate Debt collection team to maximise revenue and the experience of residents.
- 13.2. 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.

### **14. 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.

## 15. Financial Implications

- 15.1. Debts that are written off will have been fully 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 occur, 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
<b>Sundry Debt</b>	0%	10%	10%	50%	50%	90%	90%
<b>Adult Social Care</b>	0%	10%	10%	50%	50%	90%	100%
<b>Commercial Rents</b>	0%	10%	15%	25%	50%	70%	90%

- 15.6. Where there is an active payment plan in place no formal bad debt provision is made.
- 15.7. Provisions for bad debt associated with Council Tax or NNDR 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 follow a similar formulaic approach for the calculation bad debt provision over the last 23 years. The approach and calculations are also shared and agreed 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 for the write off of debt.

## 20. Appendices

**Appendix A:** Debt Management Position - 30 November 2023

**Appendix B:** Summary of Write Offs - 30 November 2023

**Appendix C:** Updated Debt Collection and Recovery Policy

### Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	28/12/23
Monitoring Officer	Kim Sawyer	
Executive Director	Joe Chesterton	28/12/23
Cabinet Member	Councillor Cox	3/1/24