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**Report to Clackmannanshire Council**

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**Date of Meeting: 10 September 2020**

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**Subject: Annual Review of Debtors 2019/20**

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**Report by: Chief Finance Officer (S95 Officer)**

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### **1.0 Purpose**

- 1.1. To provide council with the annual update on income collection and to propose the 'write-off' of those debts which are deemed as irrecoverable or 'bad debts'.
- 1.2. The presentation of this report is a key milestone in the preparation of the council's draft financial statements.

### **2.0 Recommendations**

- 2.1. It is recommended that the council;
  - 2.1.1. Note the trends in income collection for 2019/20,
  - 2.1.2. Approve the proposed write-off £807,727 as per 6.2 (Appendix B),
  - 2.1.3. Note and comment as appropriate on the other matters raised in the report.

### **3.0 Background**

- 3.1. Responsibility for the collection and recovery of income due to Clackmannanshire Council principally lies with the Finance and Revenues Service currently within the Partnership & Performance Directorate. All income collected by the service is done so in accordance with the Council's Corporate Debt Recovery and Write-Off Policy. The Council also uses Sheriff Officers to administer collection on the Council's behalf and following a tender process at the end of 2019/20, Stirling Park have been retained to provide this service.
- 3.2. This report analyses collection performance, updates members on actions taken, and proposes the write-off for the financial year.

- 3.3. During the year bills and invoices totalling £75.574m were issued by the Council, a slight decrease from £77.237m issued in 2018/19. The following paragraphs set out the details for each income stream.

#### **4.0 Council Tax Collection**

- 4.1. In 2019/20, Council Tax bills totalling £31.888m were issued to 24,805 households. The total income received for Council Tax in 2019/20 was £30.154m (including water and sewerage).

- 4.2. The key indicator of performance for Council Tax collection is the in-year collection rate. This represents the total amount of Council Tax collected as a percentage of the total amount billed. In 2019/20 the in-year collection rate was 95.74%. This is a small decrease of 0.17% on the recorded collection rate of 95.91% in 2018/19.

- 4.3. The decrease in collection rate follows trends in other local authorities as discussed at recent Institute of Revenues Rating and Valuation (IRRV) forums. The collection rate has been impacted in part by increases in charges and the number of Council Tax Reduction (CTR) claims along with the impact of Universal Credit.

- 4.4. Throughout the year we have continued to review processes and look for ways to improve processing efficiency. We work closely with the Department of Work & Pensions (DWP) and the Council has fully embedded its ATLAS information system which is used to ensure that all CTR cases are identified and processed.

#### **4.5 Sundry Debt Collection**

- 4.6. A sundry debtor is the name given for invoices raised for chargeable council services. This can include social work services such as MECS or provision such as additional nursery sessions. However, large invoices for Health and Social care to the NHS and Stirling Council are also raised using the same approach. Individual services themselves are responsible for raising the invoices with payments monitored by Finance and Revenues, and where invoices remain unpaid, reminders are issued, and recovery action taken where appropriate.

- 4.7. During 2019/20 invoices totalling £7.236m were issued by the Council with an in-year collection rate of 82.39%. This is a reduction on the collection rate for 2018/19 (89.35%). Collection performance can fluctuate due to the timing and issuing of invoices. Where invoices are raised in the final quarter of the year there is less time prior to the year-end for payments to be made and/or recovery action to begin. This is different from Council Tax where demand notices are issued at the start of the financial year, and recovery action can proceed throughout the year.

- 4.8. During 2019/20, sundry debt aged over 90 days has increased from 60% to 72%. This represents a number of challenging debts such as care home charges where there could be a charge against the property to clear the invoice debt therefore deferred to future years. A corporate debt recovery proposal is being developed to identify improvements in this area.

#### 4.9. Non Domestic Rates (NDR) Collection

4.10. Clackmannanshire Council are required to bill and collect Non Domestic Rates (NDR) on behalf of the Scottish Government. Income is then pooled and distributed to Councils, under the rates pooling system. During 2019/20 the council billed businesses for rates totalling £17.001m. The collection rate for 2019/20 as a percentage of the total billed was 95.55%. This is a decrease of 0.48% on previous collection rate (96.03%).

4.11. The current Rates legislation means that in-year recovery cannot begin until October of the billing year, slightly curtailing recovery action. However, this is currently under review by the Scottish Government with the expectation that NDR billing will be aligned with Council Tax in future years.

#### 4.12. Housing

4.13. The total gross rental liability for 2019/20 payable by almost 5,000 council tenants and associated lock-ups was £19.670m. The following sections sets out details for each of the categories. Appendix A summarises the arrears position for Housing debts broken down by category for the years 2017/18 to 2019/20.

#### Current Rent Arrears

4.14 The table below provides a full breakdown of current rent arrears.

	2017/18	2018/19	2019/20	Change
Total Arrears Value	£789,143	£773,936	£916,696	£142,760
Average value per case	£571	£519	£459	(£60)
Total Number of UC cases in arrears at year end	611	884	1,251	367
Total Arrears Value at year end	£455,914	£550,028	£697,126	£147,098
Average value per case	£747	£622	£557	(£65)
Non UC claimants in arrears	772	641	747	106
Total Arrears value for non UC cases	£333,229	£239,720	£219,570	(£20,150)
Average value per case	£432	£374	£294	(£80)
Total Number of UC claimants at year end	697	1,043	1,518	475
% UC claimants in arrears	88%	85%	82%	(3%)

#### Former Tenant Arrears

4.15 Tenancies end for a variety of reasons including abandonment, eviction or death. When there is a balance on the account these arrears can be difficult to collect if for example, there is no forwarding address, or the deceased has no estate.

- 4.16 During the year 310 (43.9%) of the 706 tenancies ended had an outstanding rent balance, amounting to £224,544. This equates to an average former tenant arrear of £724. This represents an average decrease of £115 of debt at tenancy end compared with 2018/19 (£839). The total outstanding rent balance has decreased by £35,617 from the previous year.
- 4.17 Greater use has been made this year of Stirling Park Sheriff Officers for the collection of these accounts, and internal review of collection processes continues with consideration being given to all alternative forms of collecting these accounts due.
- 4.18 The Housing Service has also recently implemented a new system to assist with arrears management. Rentsense is a software system which has a series of complex algorithms that analyse tenants' transactional history, coupled with a predictive analytical application that then predicts which tenants may or may not pay their rent. It then produces a list of tenants which should be contacted that week in relation to their rent account.
- 4.19 This system will focus effort by officers and enable staff to spend more time providing help and support to tenants who need it. With housing staff all having laptops and additional screens and with Rentsense being cloud based, officers are able to have the application viewable while they are discussing the situation with the tenants and can also make changes and update the core housing system, without losing the Rentsense customer view. This project was delayed due to COVID-19 but went live on 11th August.

### **Housing Benefit Overpayments**

- 4.20 An overpayment of Housing Benefit (HB) occurs when an individual receives an award of benefit that is then deemed not to have been due. This can occur for a variety of reasons, including claimant error, fraud, and a backdated change in circumstances or Local Authority (LA) error. For existing HB claimants any overpayment can be recovered from on-going entitlement, but for others, customers are required to make arrangements to repay. HB overpayment accounts are also sent to Sheriff Officers for collection.
- 4.21 At the end of 2019/20 there were outstanding Housing Benefit overpayment accounts totalling £0.977m. This is a decrease of £178k in this financial year.
- 4.22 Fraud and Error overpayments are a significant focus for the DWP and they have recently engaged with ourselves, and reviewed the end to end overpayment process.. The findings of this indicated that additional resources are required, however these are expected to be financed by the income gains and debt reductions. The DWP performance team revisited in July 2020 to verify their findings and refine their business case and this will be taken forward by the service during 2020/21.

## 5 Overall Debt Position

5.1 The following table shows the current debt position for all income streams.

<b>Debtor</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
Council Tax	10,843	11,236	11,662
Sundry Debtors	3,236	3,237	2,756
HRA Debts	2,938	3,071	3,162
<b>Total Gross Debtor</b>	<b>17,017</b>	<b>17,544</b>	<b>17,580</b>
<b>Total Provision</b>	<b>(12,065)</b>	<b>(13,262)</b>	<b>(13,656)</b>
<b>Total Net Debtor</b>	<b>4,952</b>	<b>4,282</b>	<b>3,924</b>

5.2 The Council's debtors' position is reported as both a gross and net position. The gross debtor reflects the total amount due to the Council.

5.3 The net debtor reflects the amount that the Council realistically expects to recover. The difference between these two figures is the debtor provision which is a prudent calculation of debt that is not expected to be recovered. The net debtor position is recognised as the best reflection of debts that can be recovered.

5.4 For 2019/20, the figures are draft and still subject to audit. They also incorporate the proposed write-off detailed within this paper to show a comparable position of the gross and net debtors over the three years. Each year there is adequate provision made against the debtor. The key indicator for debtor performance is that of net debtor, which is not affected by any write-off.

## 6 Irrecoverable Debt for Write-Off

6.1 Each financial year the council is required to propose accounts for write-off from each income stream in accordance with the Corporate Debt and Write-off Policy.

6.2 The table below highlights the proposed write-off from each income stream along with a comparison of the accounts approved for write-off in financial year 2018/19.

<b>Type of Debt</b>	<b>Approved Write Off 2018/19</b>		<b>Proposed Write Off 2019/20</b>	
	<b>Number of accounts</b>	<b>Value £</b>	<b>Number of accounts</b>	<b>Value £</b>
Council Tax	915	316,377	977	325,959
NDR	52	141,728	65	286,729

Sundry Debt	30	21,322	68	64,593
Former Tenant Arrears	60	71,699	50	81,548
Housing Benefit Overpayments	28	62,900	43	48,898
<b>Total</b>	<b>1,085</b>	<b>614,026</b>	<b>1,203</b>	<b>807,727</b>

- 6.3 Accounts can be proposed for write-off for a number of reasons including;
- Deceased – where the customer has died and left no estate.
  - Sequestration – The customer has applied for and been awarded bankruptcy and there is unlikely to be any dividend for creditors.
  - Untraceable – No up to date contact information is available for the customer and all means of contacting them have been exhausted.
  - Small Balance – The balance outstanding on the account is small and it is not deemed cost effective to pursue.
  - Management Write-Off – Management have agreed to the write-off of the debt due on a particular case due to the individual circumstances of the customer.
  - Time Lapsed – Where the debt has prescribed under the Prescription and Limitation Act Scotland 1973 and it has been more than 5 years since last contact with the customer.
- 6.4 Appendix B gives a breakdown of reasons for the proposed write-off of debts in each income stream. Overall, there has been an increase in the value of proposed write-off this year of £194k along with a slight increase in the number of accounts of 118. Appendix C shows the detailed Debtors position for each income stream.

## 7 Sustainability Implications

7.1 None

## 8 Resource Implications

### 8.1 Financial Details

8.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes X

8.3 Finance has been consulted and has agreed the financial implications as set out in the report. Yes X

### 8.4 Staffing

8.5 *There are no staffing implications arising from this report.*

## 9 Exempt Reports

9.1 Is this report exempt? Yes  No

## 10.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box )

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all

Our families; children and young people will have the best possible start in life

Women and girls will be confident and aspirational, and achieve their full potential

Our communities will be resilient and empowered so that they can thrive and flourish

(2) **Council Policies** (Please detail)

**Clackmannanshire Council Debt Recovery and Write Off Policy – June 2018**

## 11.0 Equalities Impact

11.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes  No

## 12.0 Legality

12.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

## 13.0 Appendices

13.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A- Review of Housing Income Collection Performance

Appendix B – Irrecoverable Debt for Write-off

Appendix C – Detailed Debtors Position to March 2020

## 14.0 Background Papers

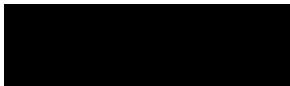

14.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes  No

### Author(s)

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### Approved by

NAME	DESIGNATION	SIGNATURE
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## ANNUAL DEBTORS REVIEW 2019/20

## REVIEW OF INCOME COLLECTION PERFORMANCE

**1.0 Housing**

- 1.1 The Housing Debtor relates to all income collected in relation to the Housing Service, including residential, lock up and garage rents, re-chargeable repairs and Housing Benefit Overpayments. The Housing Debtor can be broken into the following different categories.

**HRA arrears position 2017/18 to 2019/20**

	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
Current tenant arrears	894	774	917
Former tenant arrears	816	1,018	1,143
HB Overpayments	1,099	1,155	977
Rechargeable Repair	101	99	99
Other Miscellaneous	28	25	26
<b>Total Gross Debtor</b>	<b>2,938</b>	<b>3,071</b>	<b>3,162</b>
Provision	(2,416)	(2,683)	(2,905)
<b>Total Net Debtor</b>	<b>522</b>	<b>388</b>	<b>257</b>

- 1.2 The majority of this debt is accounted for within the Housing Revenue Account, with the exception of Housing Benefit Overpayments which are included in the general fund account.
- 1.3 For 2019/20 the gross Debtor has increased by £91,000.
- 1.4 The key measure of performance for current tenant rent arrears is expressed as the percentage of gross rent arrears as measured by the Scottish Social Housing Charter. For 2019/20 this was 10.13%, a slight increase from performance in 2018/19 of 9.05%. The roll out of Universal Credit has had, and will continue to have, a significant impact on rent arrears. Housing rent is managed by the Tenancy Management Team and Housing Officers are working closely with tenants to help them to sustain their tenancy and pay their rent.

**ANNUAL DEBTORS REVIEW 2019/20**  
**IRRECOVERABLE DEBT FOR WRITE-OFF**

**1.0 Overall Debt**

- 1.1. The following table identifies the proposed write-offs for each income stream for 2019/20, together with a comparison of the write off approved for 2018/19. The 2019/20 Statement of Accounts reflects the net debt position.

**Proposed write-offs for 2019/20**

Type of Debt	Approved Write Off 2018/19		Proposed Write Off 2019/20	
	Number of accounts	Value £	Number of accounts	Value £
Council Tax	915	316,377	977	325,959
NDR	52	141,728	65	286,729
Sundry Debt	30	21,322	68	64,593
Former Tenant Arrears	60	71,699	50	81,548
Housing Benefit Overpayments	28	62,900	43	48,898
<b>Total</b>	<b>1,085</b>	<b>614,026</b>	<b>1,203</b>	<b>807,727</b>

**Council Tax and Water Charges**

- 1.2. The following tables split the proposed write-offs for Council Tax and Water Charges by reason for the write off.

Reason	2018/19		2019/20	
	No of Accounts	Total £	No of Accounts	Total £
Deceased	478	110,572	487	112,860
Sequestration	375	178,445	304	134,660
Untraceable	0	0	0	0
Small Balance	3	6	0	0
Management W/O	0	0	0	0
Outwith Jurisdiction	33	15,548	17	24,420
Sherriff Officer Uncollectable	0	0	1	3
Gone Away	26	11,806	168	54,016
<b>TOTAL</b>	<b>915</b>	<b>316,371</b>	<b>977</b>	<b>325,959</b>

## ANNUAL DEBTORS REVIEW 2019/20

### IRRECOVERABLE DEBT FOR WRITE-OFF

The proposed write off for Council Tax compared with 2018/19 has only slightly increased by £9,588, an equivalent of 6% and increase of 62 cases. The largest increase relates to Gone Away accounts (142 cases) which are those that have no forwarding address.

50% of the council tax accounts being proposed for write-off are due to death of the debtor leaving no estate. Whilst 31% of the council tax accounts being proposed for write-off are due to people being sequestrated or going into bankruptcy.

### Non Domestic Rates (NDR)

- 1.4. The following tables split the proposed write-offs by reason for the write-off. Full case records are retained by the Revenues Team for audit purposes.

Year	2018/19		2019/20	
	No of Accounts	Total £	No of Accounts	Total £
Moved away/Untraceable	14	12,103	22	64,991
Deceased	0	0	2	3,201
Sequestration/liquidation	18	72,454	10	61,937
Immaterial Balances	0	0	0	0
Trust Deed	3	6,788	0	0
Cease Trading	14	44,483	15	120,402
In Administration	3	5,900	0	0
Sheriff Officer Write Off	0	0	16	36,198
<b>Total</b>	<b>52</b>	<b>141,728</b>	<b>65</b>	<b>286,729</b>

- 1.5. There has been an increase in the value of proposed write-offs from £141,728 in 2018/19 to £286,729 for 2019/20, and an increase in the number of cases from 52 to 65. The majority of cases continue to be those who have gone into Sequestration/Liquidation or have ceased trading. In terms of ceased trading, this is not exclusive to Clackmannanshire but is being experienced across Scotland. This area is being discussed at officer practice forums to see if legislation can be altered to place responsibility onto owners to inform local authority of business tenant changes.

**ANNUAL DEBTORS REVIEW 2019/20**  
**IRRECOVERABLE DEBT FOR WRITE-OFF**

**Sundry Debt**

- 1.6. Sundry debtors has been subject to ongoing review, with Finance and Revenues working to reconcile files sent to Sheriff Officers and to ensure all debtor status's are updated. There has been an increase in the number of accounts being proposed for write-off, 30 to 68 and a corresponding increase in the value from £21,322 in 2018/19 to £64,593 for 2019/20. Details of proposed write-offs by reason are shown in the table below.

Reason	Actual 2018/19		Proposed 2019/20	
	Number	£	Number	£
Deceased	10	3,599	24	13,758
Sequestration	2	2,624	11	14,261
Untraceable	7	6,052	12	8,492
Administration/Dissolved	2	3,615	0	0
Small Balance	1	41	4	301
Other	8	5,391	17	27,781
<b>TOTALS</b>	<b>30</b>	<b>21,322</b>	<b>68</b>	<b>64,593</b>

**Former Tenant Rent Arrears**

- 1.7. The following tables show the proposed write-offs for Former Tenant Arrears for dwellings and lock-ups split by reason type.
- 1.8. The number of former tenant arrears accounts proposed for write-off this year has decreased by 10 from the 60 last year. As noted last year, each individual account was fundamentally reviewed and analysed ensuring the focus wasn't on cases where the chance of recovery was limited.

**ANNUAL DEBTORS REVIEW 2019/20**  
**IRRECOVERABLE DEBT FOR WRITE-OFF**

Reason	Proposed 2018/19		Proposed 2019/20	
	Number	Total £	Number	Total £
Deceased	8	6,860	0	0
Untraceable	0	0	2	7,227
Prescribed	44	46,610	48	74,321
Sequestered	8	18,229	0	0
In Prison	0	0	0	0
Long Term Care	0	0	0	0
Small Balances	0	0	0	0
Abandonment/Management Write Off	0	0	0	0
<b>TOTALS</b>	<b>60</b>	<b>71,699</b>	<b>50</b>	<b>81,548</b>

**Housing Benefit Overpayments**

Write-offs for 2019/20 have reduced from £62,900 last financial year, to £48,898 this year. However the number of accounts has increased from 28 to 48 with the largest increase being within Time Elapsed accounts. The movements for each category are detailed below.

Actual 2018/19			Proposed 2019/20		
Reason	Number	Total £	Reason	Number	Total £
Abandoned	0	0	Abandoned	0	0
Deceased	3	7,111	Deceased	2	1,897
In long term care	0	0	In long term care	0	0
Sequestered	7	20,989	Sequestered	5	10,917
Time Elapsed	15	28,398	Time Elapsed	35	35,248
Untraceable/ Unknown	3	6,402	Untraceable/ Unknown	1	836
<b>TOTAL</b>	<b>28</b>	<b>62,900</b>	<b>TOTAL</b>	<b>43</b>	<b>48,898</b>

**ANNUAL DEBTORS REVIEW 2019/20**  
**DETAILED DEBTORS POSITION TO MARCH 2020**

**Overall Debtor Position**

1.1. The table below details the debt position of the main council income source and the provision made against each. There have been slight increases across all income streams and increases in provisions for both Council Tax and Rents. The provision for Sundry Debtors has reduced in line with a reduction in the overall level of debt.

<b>Debtor</b>	<b>2017-18 £000</b>		<b>2018-19 £000</b>		<b>2019-20 £000<sup>1</sup></b>	
Council Tax	10,843		11,236		11,662	
Provision	(8,300)	2,543	(8,996)	2,240	(9,245)	2,417
Rent	2,938		3,071		3,162	
Provision	(2,416)	522	(2,683)	388	(2,905)	257
Sundry Debtors	3,236		3,237		2,756	
Provision	(1,349)	1,887	(1,583)	1,654	(1,506)	1,250
<b>Total Net Debt</b>		<b>4,952</b>		<b>4,282</b>		<b>3,924</b>

<sup>1</sup> These figures are draft and are still subject to change as part of the 2019/20 external audit of the Council's Financial Statements