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**Report to**      **Clackmannanshire Council**

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**Date of Meeting: 19 August 2021**

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**Subject:**          **Annual Review of Debtors 2020/21**

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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 2020/21;
  - 2.1.2. Approve the proposed write-off £416,517 as per 6.2 (Appendix B);
  - 2.1.3. Note the impact of the COVID 19 pandemic on collection and recovery, and
  - 2.1.4. 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 Councils behalf. Stirling Park continue to provide this service to the Council following a successful tender exercise in 2019/20.

- 3.2. This report analyses collection performance, updates members on recovery actions taken and service developments, and proposes the write-off across all debt streams for the financial year.
- 3.3. During the year bills and invoices totalling £69.694m were issued by the Council. This is a decrease from £75.574m issued in 2019/20, mainly due to the reduction in Non Domestic Rates bills and Sundry invoices due to the pandemic. The following paragraphs set out the details for each income stream.

## **4.0 Income Streams**

### **Council Tax Collection**

- 4.1. In 2020/21, Council Tax bills totalling £32.582m were issued to 23,937 households. The total income received for Council Tax in 2020/21 was £30.490m (including water and sewerage).
- 4.2. The key indicator of performance for Council Tax collection (excluding water and sewerage) is the in-year collection rate. This represents the total amount of Council Tax collected as a percentage of the total amount billed. In 2020/21 the in-year collection rate was 94.80%. This is a decrease of 0.94% on the recorded collection rate of 95.74% in 2019/20.
- 4.3. The decrease in collection rate follows trends seen in other local authorities as discussed at recent Institute of Revenues Rating and Valuation (IRRV) forums. The collection rate has been impacted by increases in charges (3% for 2020/21) as has been the case in previous years. However, Covid 19 has also had a significant impact on collection rates. As a result there has been an increase of 171% in new Council Tax Reduction (CTR) claims, with 3118 claims received in 2020/21 in comparison to 1151 in 2019/20. This increase is mainly due to the impact various aspects of COVID 19 has had on household income.
- 4.4. Throughout the year the Revenues team have focused on processing the increased volumes of applications for CTR. We have also continued to review processes and look for ways to improve efficiency. We work closely with the Department of Work & Pensions (DWP) and the Council utilises its ATLAS information system which is used to ensure that all CTR cases are identified and processed. During the year work has been carried out to develop the Citizens Access Portal which will give council tax payers the ability to sign up to an online service and report changes and view their account online. This work will continue to be taken forward during 2021/22 and we expect this to be in place during 2022, subject to fluctuations in processing volumes.

### **Sundry Debt Collection**

- 4.5. 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 of services 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 are responsible for raising their own invoices with payments monitored by Finance and Revenues. Where invoices remain unpaid past their due date, reminders are issued, and recovery action taken where appropriate.

- 4.6. During 2020/21 invoices totalling £4.417m (£7.236m 2019/20) were issued by the Council. Closure of many services due to the Pandemic has reduced the number of invoices raised in the year compared to the previous year and impacted on the Councils overall income generated.

During 2020/21, sundry debt aged over 90 days is around 66% of total debt outstanding. Due to the COVID pandemic, no recovery action was taken on sundry debts during 2020/21. This has now been recommenced during 2021/22.

### **Non Domestic Rates (NDR) Collection**

- 4.7. 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 2020/21 the council billed businesses for rates totalling £12.612m. The collection rate for 2020/21 as a percentage of the total billed was 89.18%. This is a decrease of 6.37% on previous collection rate (95.55%).
- 4.8. As with Council Tax, Covid-19 had an impact on both billing and collection of Non Domestic Rates. In reaction to the impact of Covid-19 lockdown the Scottish Government awarded 100% payment relief to business premises in the retail, hospitality, leisure and aviation sector. This reduced our annual net billing by approximately £6m from 2019/20. The Council was compensated for this reduction in income through an adjustment to its General Revenue Grant (GRG).
- 4.9. In addition to this, the Scottish Government also asked Councils to administer support grants to business impacted by lockdown restrictions. This additional support to businesses had a significant impact on the workload of the Revenues team, resulting in an increase in enquiries and applications relating to reliefs and backdated liability changes.
- 4.10. Previously Rates legislation only allowed in-year recovery to begin from October of the billing year. However, from April 2021, the Scottish Government amended legislation to allow Councils the ability to recover after one missed instalment of the billing year. This brings recovery into line with that of Council Tax. Due to the pandemic, along with most Councils, we will be looking to implement the new recovery legislation from 2022/23.

### **Housing**

- 4.11. The total gross rental liability for 2020/21 payable by almost 5,000 council tenants and associated lock-ups was £19.911m (2019/20 £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 2018/19 to 2020/21.

## Current Rent Arrears

4.12 The table below provides a breakdown of current rent arrears.

	2018/19	2019/20	2020/21	Current / Last Year Increase (Decrease)
Total Arrears Value	£773,936	£916,696	£848,778	(£67,918)
Average value per case	£519	£459	£475	£16
Number of Cases	1,491	1,997	1,786	211

4.13 Although the value of arrears has decreased, the average value per case has increased.

4.14 In terms of rent performance during 2020/21 we have seen rent collected increase from 97.66% to 99.85%. This was the main factor that contributed to the reduction in rent arrears of 0.55%, from 10.11% to 9.56%. This reduction was achieved through housing officers working closely with vulnerable tenants during the pandemic, whilst also delivering vital community supports.

## 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, 156 (48.6%) of the 321 tenancies that ended had an outstanding rent balance amounting to £0.109m (310 (43.9%) of 706 tenancies amounting to £0.225m 2019/20). This equates to an average former tenant arrear of £696 which represents an average decrease of £28 of debt at tenancy end compared with 2019/20 (£724). The total outstanding rent balance has decreased by £0.116m from the previous year.

4.17 Recovery of former tenant arrears, as with other outstanding debts has been impacted due to COVID 19 pandemic as previously described.

## Housing Benefit Overpayments

4.18 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 where possible, but for others, customers are required to make arrangements to repay. HB overpayment accounts are also sent to Sheriff Officers for collection.

4.19 At the end of 2020/21 there were outstanding Housing Benefit overpayment accounts totalling £2.362m, of which £0.977m relates to Council tenancies.

- 4.20 Fraud and Error overpayments are a significant focus for the DWP and they have previously reviewed our 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 however, due to the pandemic this work has not been progressed during 2020/21. It is intended that this will be taken forward during 2021/22.

## 5.0 Overall Debt Position

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

<b>Debtor</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Council Tax	11,236	11,662	12,017
Sundry Debtors	3,237	2,756	4,106
HRA Debts	3,071	3,162	3,183
<b>Total Gross Debtor</b>	<b>17,544</b>	<b>17,580</b>	<b>19,306</b>
<b>Total Provision</b>	<b>(13,262)</b>	<b>(13,656)</b>	<b>(13,816)</b>
<b>Total Net Debtor</b>	<b>4,282</b>	<b>3,924</b>	<b>5,490</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 2020/21, 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.

## 6.0 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 2019/20.

Type of Debt	Approved Write Off 2019/20		Proposed Write Off 2020/21	
	Number of accounts	Value £	Number of accounts	Value £
Council Tax	977	325,959	1,068	408,457
NDR	65	286,729	9	8,060
Sundry Debt	68	64,593	-	-
Former Tenant Arrears	50	81,548	-	-
Housing Benefit Overpayments	43	48,898	-	-
<b>Total</b>	<b>1,203</b>	<b>807,727</b>	<b>1,077</b>	<b>416,517</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 (excludes debt relating to Council Tax).
- 6.4 Appendix B gives a breakdown of reasons for the proposed write-off of debts in each income stream. Overall, there has been a decrease in the value of proposed write-off this year of £391k along with a slight increase in the number of accounts of 126. This reduction reflects the prioritisation by the Revenues team in supporting people and businesses facing hardship due to the pandemic. Recovery action will be recommenced during 2021/22 and debt for write-off reviewed. Appendix B also shows the detailed Debtors position for each income stream.

## 7.0 Sustainability Implications

7.1 None

## 8.0 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.*

## 9.0 Exempt Reports

9.1 Is this report exempt? Yes  No X

## 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 X  
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 X

## 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 and Detailed Debtors Position to March 2021

## 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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Lindsay Sim	Chief Finance Officer	2022

### Approved by

NAME	DESIGNATION	SIGNATURE
Lindsay Sim	Chief Finance Officer	
Stuart Crickmar	Strategic Director (Partnership and Performance)	

## ANNUAL DEBTORS REVIEW 2020/21

## 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 2018/19 to 2020/21**

	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Current Tenant Arrears	774	917	849
Former Tenant Arrears	1,018	1,143	1,173
HB Overpayments (HRA only)	1,155	977	977
Rechargeable Repair	99	99	99
Other Miscellaneous	25	26	85
<b>Total Gross Debtor</b>	<b>3,071</b>	<b>3,162</b>	<b>3,183</b>
Provision	(2,683)	(2,905)	(3,181)
<b>Total Net Debtor</b>	<b>388</b>	<b>257</b>	<b>2</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 2020/21 the gross Debtor has increased by £21k. This is due to a reduction in Current Tenant Arrears offset by increases in Former Tenant Arrears and Other Miscellaneous.
- 1.4 The pandemic and 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 2020/21

IRRECOVERABLE DEBT FOR WRITE-OFF AND DETAILED DEBTORS  
POSITION TO MARCH 2021

## 1.0 Overall Debt

- 1.1. The following table identifies the proposed write-offs for each income stream for 2020/21, together with a comparison of the write off approved for 2019/20. The 2020/21 Draft Statement of Accounts reflects the net debt position.

**Proposed write-offs for 2020/21**

Type of Debt	Approved Write Off 2019/20		Proposed Write Off 2020/21	
	Number of accounts	Value £	Number of accounts	Value £
Council Tax	977	325,959	1,068	408,457
NDR	65	286,729	9	8,060
Sundry Debt	68	64,593	-	-
Former Tenant Arrears	50	81,548	-	-
Housing Benefit Overpayments	43	48,898	-	-
<b>Total</b>	<b>1,203</b>	<b>807,727</b>	<b>1,077</b>	<b>416,517</b>

- 1.2 Due to additional work responding to COVID19 during 2020/21 there have been no accounts identified for write-off for 2020/21 for Sundry Debt, Former Tenant Arrears and Housing Benefit Overpayments. This work will recommence during 2021/22.
- 1.3 Further detail of the proposed write-offs for Council Tax and NDR are set out below.

**Council Tax and Water Charges**

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

## ANNUAL DEBTORS REVIEW 2020/21

IRRECOVERABLE DEBT FOR WRITE-OFF AND DETAILED DEBTORS  
POSITION TO MARCH 2021

Reason	2019/20		2020/21	
	No of Accounts	Total £	No of Accounts	Total £
Deceased	487	112,860	550	137,877
Sequestration	304	134,660	269	165,794
Untraceable	-	-	-	-
Small Balance	-	-	8	74
Management W/O	-	-	-	-
Outwith Jurisdiction	17	24,420	1	133
Sheriff Officer Uncollectable	1	3	-	-
Gone Away	168	54,016	240	104,579
<b>TOTAL</b>	<b>977</b>	<b>325,959</b>	<b>1,068</b>	<b>408,457</b>

- 1.5 The proposed write off for Council Tax compared with 2019/20 has increased by £82,498, an equivalent of 25.3% and increase of 91 cases.
- 1.6 51% of the council tax accounts being proposed for write-off are due to death of the debtor leaving no estate. Whilst 25% of the council tax accounts being proposed for write-off are due to people being sequestered or entering a Trust Deed.

**Non Domestic Rates (NDR)**

- 1.7 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.

## ANNUAL DEBTORS REVIEW 2020/21

IRRECOVERABLE DEBT FOR WRITE-OFF AND DETAILED DEBTORS  
POSITION TO MARCH 2021

Year	2019/20		2020/21	
	No of Accounts	Total £	No of Accounts	Total £
Gone away/Untraceable	22	64,991	3	1,068
Deceased	2	3,201	-	-
Sequestration/liquidation	10	61,937	-	-
Small Balances		-	3	0.03
Trust Deed	-	-	-	-
Cease Trading	15	120,402	2	3,808
In Administration	-	-	1	3,184
Sheriff Officer Write Off	16	36,198	-	-
<b>Total</b>	<b>65</b>	<b>286,729</b>	<b>9</b>	<b>8,060</b>

- 1.8 There has been a decrease in the value of proposed write-offs from £286,729 in 2019/20 to £8,060 for 2020/21, and a decrease in the number of cases from 65 to 9. This is due to the reprioritisation of the Revenues team during the COVID 19 pandemic.

## ANNUAL DEBTORS REVIEW 2020/21

IRRECOVERABLE DEBT FOR WRITE-OFF AND DETAILED DEBTORS  
POSITION TO MARCH 2021

## Overall Debtor Position

1.9 The table below details the debt position of the main council income source and the provision made against each. There have been increases in outstanding debt across all income streams and in the resulting bad debt provisions for all but Sundry Debtors. The provision for Sundry Debtors has reduced due to a review of the debts due from other Local Authorities as this has a likely higher level of recovery.

Debtor	2018-19 £000		2019-20 £000		2020/21 £000 <sup>1</sup>	
Council Tax	11,236		11,662		12,017	
Provision	(8,996)	2,240	(9,245)	2,417	(9,205)	2,812
HRA Debts	3,071		3,162		3,183	
Provision	(2,683)	388	(2,905)	257	(3,181)	2
Sundry Debtors	3,237		2,756		4,106	
Provision	(1,583)	1,654	(1,506)	1,250	(1,430)	2,676
<b>Total Net Debt</b>		<b>4,952</b>		<b>3,924</b>		<b>5,490</b>

<sup>1</sup> These figures are draft and are still subject to change as part of the 2020/21 external audit of the Council's Financial Statements

