
Report to **Clackmannanshire Council**

Date of Meeting: 6 October 2022

Subject: **Annual Review of Debtors 2021/22**

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

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 2021/22;
 - 2.1.2. Approve the proposed write-off £568,299 as per 6.2 (Appendix B);
 - 2.1.3. Note the continued 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 £72.603m were issued by the Council. This is a slight increase from £69.694m issued in 2020/21. The following paragraphs set out the details for each income stream.

4.0 Income Streams

Council Tax Collection

- 4.1. In 2021/22, Council Tax bills totalling £33.125m were issued to 24,276 households. In 2021/22 the Council did not increase Council Tax and kept charges at the same level as in 2020/21. The total income received for Council Tax in 2021/22 was £31.832m (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 2021/22 the in-year collection rate was 96.00%. This is a slight increase of 1.20% on the recorded collection rate of 94.80% in 2020/21.
- 4.3. The increase in collection rate follows trends seen in other local authorities as discussed at recent Institute of Revenues Rating and Valuation (IRRV) forums. Covid 19 had a significant impact on 2020/21 collection levels and increased Council Tax Reduction (CTR) claims, however, collection levels and claim numbers are now moving back to pre Covid levels towards the end of 2021/22.
- 4.4. Throughout the year the Revenues team have focused on processing 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 continue 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 is planned to go live during 2022/23.

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.
- 4.6. During 2021/22 invoices totalling £5.594m (£4.417m 2020/21) were issued by the Council.

- 4.7 During 2021/22, sundry debt aged over 90 days is around 72% of total debt outstanding. Due to the COVID pandemic, no recovery action was taken on sundry debts during 2020/21. This has now been partially recommenced during 2021/22 on targeted areas and we are reviewing our processes for recovery of all outstanding sundry debts.

Non Domestic Rates (NDR) Collection

- 4.8 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 2021/22 the council billed businesses for rates totalling £13.807m. The collection rate for 2021/22 as a percentage of the total billed was 93.95%. This is an increase of 4.77% on previous collection rate (89.18%).
- 4.9 As with Council Tax, Covid-19 had an impact on both billing and collection of Non Domestic Rates on both 2020/21 and 2021/22. In recognition of the impact of Covid-19 lockdown the Scottish Government again awarded 100% payment relief to business premises in the retail, hospitality, leisure and aviation sector for 2021/22. This reduced our annual net billing by approximately £3.5m. The Council was compensated for this reduction in income through an adjustment to its General Revenue Grant (GRG).
- 4.10 In addition to this, the Scottish Government also asked Councils again to administer support grants to business impacted by lockdown restrictions. £3.68m was paid out in grants to businesses during the year.
- 4.11 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 recovery after one missed instalment of the billing year. This brings recovery into line with that of Council Tax.

Housing

- 4.12 The total gross rental liability for 2021/22 payable by almost 5,000 council tenants and associated lock-ups was £20.077m (2020/21 £19.911m).
- 4.13 Overall, rent arrears increased during the year by £0.180m to a total of £2.236m (2020/21 £2.056m). As a percentage of gross rental income, the arrears represent 11.2% (2020/21: 10.4%) which is equivalent to £450 (2020/21: £414) per house. Housing officers worked closely with vulnerable tenants during the pandemic, whilst also delivering vital community supports.
- 4.12 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 2019/20 to 2021/22.

Current Rent Arrears

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

	2019/20	2020/21	2021/22	Current / Last Year Increase (Decrease)
Total Arrears Value	£916,696	£848,778	£872,693	£23,915
Average value per case	£459	£475	£487	£12
Number of Cases	1,997	1,786	1,792	6

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 The total former tenant arrears at the 31 March 2022 was £1.346m (including lock-ups) made up of 2,335 cases. This is an increase from 2020/21 of £0.163m and an increase of 245 cases.

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 2021/22 there were outstanding Housing Benefit Overpayments relating to Council tenancies for both Former and Current Tenants of £0.967m. This is a slight decrease of £0.010m from 2020/21.

5.0 Overall Debt Position

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

Debtor	2019/20 £000	2020/21 £000	2021/22 £000
Council Tax	11,662	12,017	12,584
Sundry Debtors	2,756	4,106	3,389
HRA Debts	3,162	3,183	3,361
Total Gross Debtor	17,580	19,306	19,334
Total Provision	(13,656)	(13,816)	(14,023)
Total Net Debtor	3,924	5,490	5,311

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 2021/22, 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 2020/21.

Type of Debt	Approved Write Off 2020/21		Proposed Write Off 2021/22	
	Number of accounts	Value £	Number of accounts	Value £
Council Tax	1,068	408,457	743	256,496
NDR	9	8,060	23	97,453
Sundry Debt	-	-	498	114,776
Former Tenant Arrears	-	-	254	76,833
Housing Benefit Overpayments	-	-	289	22,738
Total	1,077	416,517	1,807	568,299

- 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 an increase in the value of proposed write-off this year of £152k along with an increase in the number of accounts of 730. This increase reflects the recommencement of the review of outstanding debt which had been postponed due to refocused priorities during the pandemic. 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 X

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 2022

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 2021/22

REVIEW OF HOUSING 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 2019/20 to 2021/22

	2019/20 £000	2020/21 £000	2021/22 £000
Current Tenant Arrears	917	849	873
Former Tenant Arrears	1,143	1,173	1326
HB Overpayments (HRA only)	977	977	967
Rechargeable Repair	99	99	99
Other Miscellaneous	26	85	96
Total Gross Debtor	3,162	3,183	3,361
Provision	(2,905)	(3,181)	(3,361)
Total Net Debtor	257	2	-

- 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 2021/22 the gross Debtor has increased by £180k. This is mainly due to an increase in Current and Former Tenant Arrears.
- 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 2021/22

IRRECOVERABLE DEBT FOR WRITE-OFF AND DETAILED DEBTORS
POSITION TO MARCH 2022

1.0 Overall Debt

- 1.1. The following table identifies the proposed write-offs for each income stream for 2021/22, together with a comparison of the write off approved for 2020/21. The 2021/22 Draft Annual Accounts reflects the net debt position.

Proposed write-offs for 2021/22

Type of Debt	Proposed Write Off 2020/21		Proposed Write Off 2021/22	
	Number of accounts	Value £	Number of accounts	Value £
Council Tax	1,068	408,457	743	256,496
NDR	9	8,060	23	97,453
Sundry Debt	-	-	498	114,776
Former Tenant Arrears	-	-	254	76,833
Housing Benefit Overpayments	-	-	289	22,738
Total	1,077	416,517	1,807	568,299

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

ANNUAL DEBTORS REVIEW 2021/22

IRRECOVERABLE DEBT FOR WRITE-OFF AND DETAILED DEBTORS
POSITION TO MARCH 2022**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.

Reason	2020/21		2021/22	
	No of Accounts	Total £	No of Accounts	Total £
Deceased	550	137,877	454	115,599
Sequestration	269	165,794	192	99,692
Small Balance	8	74	-	-
Outwith Jurisdiction	1	133	-	-
Gone Away	240	104,579	97	41,205
TOTAL	1,068	408,457	743	256,496

- 1.5 The proposed write off for Council Tax compared with 2020/21 has decreased by £151,961, an equivalent of 37.2% and increase of 325 cases.
- 1.6 61% of the council tax accounts being proposed for write-off are due to death of the debtor leaving no estate. Whilst 26% of the council tax accounts being proposed for write-off are due to people being sequestrated or entering a Trust Deed.

ANNUAL DEBTORS REVIEW 2021/22

IRRECOVERABLE DEBT FOR WRITE-OFF AND DETAILED DEBTORS
POSITION TO MARCH 2022**Non Domestic Rates (NDR)**

- 1.7 The following table splits the proposed write-offs by reason for the write-off. Full case records are retained by the Revenues Team for audit purposes.

Year	2020/21		2021/22	
	No of Accounts	Total £	No of Accounts	Total £
Gone away/Untraceable	3	1,068	3	365
Sequestration/liquidation	-	-	6	51,874
Small Balances	3	0.03	-	-
Ceased Trading/ Dissolved	2	3,808	14	45,214
In Administration	1	3,184	-	-
Total	9	8,060	23	97,453

- 1.8 There has been a significant increase in the number of cases and the value of proposed write-offs from 2020/21. The low numbers in 2020/21 were mainly due to the reprioritisation of the Revenues team during the COVID 19 pandemic which have now refocused on this area.

Sundry Debts

- 1.9 The following table sets out the detailed reasons for proposed write-off of Sundry Debts. As previously noted, there was no sundry debt proposed for write-off during 2020/21.

Year	2021/22	
	No of Accounts	Total £
Gone away/Untraceable	276	24,485
Sequestration	34	17,685
Deceased	152	58,158
Small Balances	7	1,021
Ceased Trading/ Dissolved	17	12,781
Sheriff Officer Write-off	12	646
Total	498	114,776

ANNUAL DEBTORS REVIEW 2021/22

IRRECOVERABLE DEBT FOR WRITE-OFF AND DETAILED DEBTORS
POSITION TO MARCH 2022

Overall Debtor Position

1.10 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 both Council Tax and HRA debts and a reduction in Sundry Debtors. The provision for Sundry Debtors has been reduced to reflect this.

Debtor	2019/20 £000		2020/21 £000		2021/22 £000 ¹	
Council Tax	11,662		12,017		12,584	
Provision	(9,245)	2,417	(9,205)	2,812	(9,151)	3,433
HRA Debts	3,162		3,183		3,361	
Provision	(2,905)	257	(3,181)	2	(3,361)	-
Sundry Debtors	2,756		4,106		3,389	
Provision	(1,506)	1,250	(1,430)	2,676	(1,511)	1,878
Total Net Debt		3,924		5,490		5,311

¹ These figures are draft and are still subject to change as part of the 2021/22 external audit of the Council's Annual Accounts

ANNUAL DEBTORS REVIEW 2021/22

**IRRECOVERABLE DEBT FOR WRITE-OFF AND DETAILED DEBTORS
POSITION TO MARCH 2022**