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**Report to** Clackmannanshire Council

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**Date of Meeting:** 10 August 2023

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**Subject:** Annual Review of Debtors 2022/23

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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.

## **2.0 Recommendations**

- 2.1. It is recommended that the council;
- 2.1.1. Note the trends in income collection for 2022/23;
  - 2.1.2. Approve the proposed write-off £1,307,287 as per paragraph 6.2 (Appendix C);
  - 2.1.3. Approve the write-off of school meal debt held within Schools of £14,489.20 (paragraph 4.8) and within Sundry Debtors of £3,147 (paragraph 4.9);
  - 2.1.4. Note the focussed activity on sundry debt recovery (paragraph 4.7), and
  - 2.1.5. 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. 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 2022/23, Council Tax bills totalling £34.361m were issued to 25,207 households. In 2022/23 the Council increased Council Tax by 3% and the total income received for Council Tax in 2022/23 was £33.465m. This includes income in relation to water and sewerage charges that are included in the annual council tax bill and collected by the Council on behalf of Scottish Water. Charges for water and sewerage are set by Scottish Water on an annual basis.
- 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 2022/23 the in-year collection rate was 96.8%. This is an increase of 0.8% on the recorded collection rate of 96.00% in 2021/22 and 0.6% above the national average of 96.2% for 2022/23.
- 4.3. Throughout the year the Revenues team have focused on processing applications for Council Tax Reduction (CTR). It has also continued to review processes and look for ways to improve efficiency. The team works 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.
- 4.4. The Citizens Access Portal went live during 2022/23. This gives council tax payers the ability to sign up to an online service, report changes and view their account online. Further work to develop these features will be carried out during 2023/24.

### **Sundry Debt Collection**

- 4.5. During 2022/23 sundry debtor invoices totalling £6.584m (£5.594m 2021/22) were issued by the Council. A sundry debtor is the name given for invoices raised for chargeable council services. A large number of these invoices are for Social Services such as charges for Community Alarms (MECS), which account for 50% of the number of invoices raised in 2022/23. Other chargeable services include; client contribution towards care, commercial waste and after school fees. 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 2022/23, sundry debt aged over 90 days is around 72% of total debt outstanding. Trends show that the older the debt is the harder it is to collect, with sundry debt being subscribed after 5 years.
- 4.7 Sundry Debt recovery was paused during the pandemic to ensure sufficient Revenues expertise and resources could be deployed on to critical response activity over an extended period. It has since partially resumed with targeted debt groups. Over the past two months, a review of the entire Sundry Debt caseload and recovery processes has been undertaken with a credit controller employed on a fixed term basis to support this. This initial work has resulted in a number of older debts being proposed for write-off as these fall into the category of prescribed and can no longer legally be recovered. Processes are being put in place where the Revenues team will work closely with legal services to ensure all recovery action is explored so that every effort is used to recover outstanding debt.

### **School Meal Debt**

- 4.8 Debt that is due to unpaid School meal income is initially attempted to be recovered by the school. However, once this balance reaches £50, it is then transferred to sundry debtors to raise an invoice. As at the 31 March 2023 there is a balance of unpaid debt within the schools of £14,489.20 going back to 2018/19. Detail of the debt by year for each school is included in Appendix D.
- 4.9 Within sundry debt is a balance of £3,643 relating to debt due on school meals. In line with the categories for debt write-off, £496 of this amount is older than 5 years and is prescribed and is therefore included within the proposed write-off figure. In addition to this, Council is asked to write-off the remaining balance of £3,147 within sundry debt and the balance of £14,489.20 within Schools to support families through the cost of living crisis.

### **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 2022/23 the council billed businesses for rates totalling £17.217m. The collection rate for 2022/23 as a percentage of the total billed was 95.37%. This is an increase of 1.42% on previous collection rate of 93.95%.
- 4.11 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 50% payment relief to business premises in the retail, hospitality, leisure and aviation sector for 3 months of 2022/23. This reduced our annual net billing by approximately £68,000. The Council was compensated for this reduction in income through an adjustment to its General Revenue Grant (GRG).
- 4.12 In 2023/24 there has been a number of changes to NDR administration in Scotland. The latest revaluation took effect from 1 April 2023 and the Small Business Bonus Scheme thresholds were amended. In addition to this, the relief for Empty properties was removed from statute and is now determined locally from 1 April 2023. Consistent with other Scottish local authorities, the

Council approved a policy replicating the previous statutory relief, with a view to reviewing this for 2024/25.

## Housing

- 4.13 The total gross rental liability for 2022/23 payable by approximately 5,000 council tenants and associated lock-ups was £20.516m (2021/22 £20.077m).
- 4.14 Overall, rent arrears increased during the year by £0.259m to a total of £2.495m (2021/22 £2.236m). As a percentage of gross rental income, the arrears represent 12.2% (2021/22 11.2%) which is equivalent to £500 (2021/22: £450) per house. Housing officers worked closely with vulnerable tenants during the pandemic, whilst also delivering vital community supports.
- 4.15 In addition to the debtor for rents, the Housing debtors also includes unpaid invoices for rechargeable repairs and Housing Benefit Overpayments. The following sections sets out details for each of the categories of debts within Housing. Appendix A summarises the arrears position for Housing debts broken down by category for the years 2020/21 to 2022/23.

## Current Rent Arrears

- 4.16 The tables below provide a breakdown of current rent arrears and the impact of Universal Credit (UC). It should be noted that the Scottish Housing Regulator (SHR), to allow for comparisons between Councils and Housing Associations, allow for some year-end adjustments to the arrears figures particularly dealing with UC Payments meant for the previous financial year.
- 4.17 Table 1 below details that overall, in the last financial year, arrears reduced by almost £0.012m. However, the main comparison figure utilised by the SHR (Indicator 31), Gross rent arrears increased by 0.85 percentage points to 11.51%. The table demonstrates that this 9% increase was because of former tenant arrears increasing by 1.16 percentage points or 16.5% increase in Former Tenant Arrears.

**Table 1**

	2019/20	2020/21	2021/22	2022/23	Current / Last Year Increase (Decrease)
Current tenant rent arrears value	£916,696	£848,778	£873,255	£861,742	(£11,513)
Gross rent arrears (current and former tenants) as a % (SHR indicator 31)	10.12%	9.56%	10.66%	11.51%	0.85%
SHR Current Tenant arrears as a %	3.91%	3.33%	3.63%	3.32%	(0.31%)

SHR Former Tenant arrears as a %	6.21%	6.23%	7.03%	8.19%	1.16%
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4.18 The following table provides a breakdown of arrears cases by value band over the last two financial years and the movement in each of those bands.

**Table 2**

<b>Breakdown of arrears case load</b>	<b>2021/22</b>	<b>2022/23</b>	<b>Current / Last Year Increase (Decrease)</b>
<b>Total No of current rent accounts in arrears</b>	1,793	1,895	102
Greater than £4,000	15	6	(9)
Between £3,000 & £3,999	17	13	(4)
Between £2,000 & £2,999	39	40	1
Between £1,000 & £1,999	146	172	26
Between £500 & £999	267	257	(10)
Between £0 and £499	1,309	1,407	98
Highest rent account balance	£7,943.57	£7,438.24	£505.33

4.19 Table 3 provides a further breakdown of arrears value per case and the illustration between those arrears cases claiming Universal Credit Housing Cost Assistance and those in arrears who are not.

**Table 3**

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>Current / Last Year Change</b>
Total Arrears Value	£916,696	£848,778	£873,255	£861,742	(£11,513)
Average value per case	£459	£475	£488	£454	(£34)
Total Number of UC cases in arrears at year end	1,251	1,138	1,226	1,398	172
Total Arrears value for UC cases	£697,126	£600,319	£637,562	£669,646	£32,085
Average value per case	£557	£528	£520	£479	(£41)

Non UC claimants in arrears at year end	747	593	564	501	(63)
Total Arrears value for non UC cases	£219,570	£236,295	£235,694	£192,096	(£43,598)
Average value per case	£294	£399	£418	£383	(£34)
Total Number of UC claimants at year end	1,518	1879	2049	2204	155
% UC claimants in arrears	82%	60.56%	59.83%	63.43%	3.60%

### Former Tenant Arrears

- 4.20 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.
- 4.21 The total former tenant arrears at the 31 March 2023 was £1.622m (including lock-ups) made up of 2,624 cases. This is an increase from 2021/22 of £0.277m and an increase of 289 cases.

### Housing Benefit Overpayments

- 4.22 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 can also be sent to Sheriff Officers for collection.
- 4.23 At the end of 2022/23 there were outstanding Housing Benefit Overpayments relating to Council tenancies for both Former and Current Tenants of £0.965m. This is a slight decrease of £0.002m from 2021/22.

## 5.0 Overall Debt Position

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

**Table 4**

<b>Debtor</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
Council Tax	12,017	12,584	12,488
Sundry Debtors	4,106	3,389	3,408
HRA Debts	3,183	3,361	3,779
<b>Total Gross Debtor</b>	<b>19,306</b>	<b>19,334</b>	<b>19,675</b>
<b>Total Provision</b>	<b>(13,816)</b>	<b>(14,023)</b>	<b>(14,608)</b>
<b>Total Net Debtor</b>	<b>5,490</b>	<b>5,311</b>	<b>5,067</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, however action to recover the debt will still take place. Debt will only be written off when all avenues of recovery have been exhausted. The net debtor position is recognised as the best reflection of debts that can be recovered. Further breakdown of the gross and net debtor for each debt stream after the provision is provided in Appendix B.

5.4 For 2022/23, 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 2021/22.

**Table 5**

Type of Debt	Proposed Write Off 2021/22		Proposed Write Off 2022/23	
	Number of accounts	Value £	Number of accounts	Value £
Council Tax	743	256,496	1,045	402,350
NDR	23	97,453	21	206,254
Sundry Debt	498	114,776	2,079	625,719
Former Tenant Arrears (incl Lockups and Recharges)	254	76,833	380	66,068
Housing Benefit Overpayments	289	22,738	148	6,896
<b>Total</b>	<b>1,807</b>	<b>568,299</b>	<b>3,673</b>	<b>1,307,287</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 from the customer. This excludes debt relating to Council Tax, NDR and Housing Benefit Overpayment.
- 6.4 The overall increase in debt proposed for write-off reflects the recommencement of the review of outstanding debt.
- 6.5 For 2022/23 there has been an increase in the value of proposed debt for write-off across Council Tax, NDR and Sundry Debt both in number of accounts and in value.
- 6.6 The reasons for this increase can be attributed to both the pandemic and the current cost of living crisis affecting both businesses and individuals. Specifically, over the past three years, the Council has had to make conscious choices on prioritisation of services while responding to the pandemic. As such focus was primarily on supporting individuals and businesses with the administration of council tax reduction and housing benefit and the timely award of crisis and support grants.



- 6.7 The economic climate has also had an impact on businesses with higher levels of debt being identified for write-off due to the business or sole trader going out of business and no longer trading.
- 6.8 Appendix C provides a breakdown by reason for the proposed write-off of debts in 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

## 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 – Housing Debts at 31 March 2023

Appendix B – Overall Debtor Position at 31 March 2023

Appendix C – Proposed Write-offs at 31 March 2023

Appendix D – School Meal Debt

## 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)	

## Housing Debts at 31 March 2023

- 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 2020/21 to 2022/23

	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
Current Tenant Arrears	849	873	862
Former Tenant Arrears	1,173	1326	1,592
HB Overpayments (HRA only)	977	967	965
Rechargeable Repair	99	99	99
Other Miscellaneous	85	96	261
<b>Total Gross Debtor</b>	<b>3,183</b>	<b>3,361</b>	<b>3,779</b>
Provision	(3,181)	(3,361)	(3,446)
<b>Total Net Debtor</b>	<b>2</b>	<b>-</b>	<b>333</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 2022/23 the gross Debtor has increased by £418k. This is mainly due to an increase in Former Tenant Arrears and Other Miscellaneous.
- 1.4 The pandemic, the roll out of Universal Credit and the current cost of living crisis, 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 work closely with tenants to help them to sustain their tenancy and pay their rent.

## Overall Debtor Position at 31 March 2023

1.1 The table below details the debt position for each of the main council income streams and the provision made against each. At the end of 2022/23, there have been increases in outstanding debt across all income streams. As such, corresponding provisions have also been increased.

Debtor	2020/21 £000		2021/22 £000		2022/23 £000	
Council Tax	12,017		12,584		12,488	
Provision	(9,205)	2,812	(9,151)	3,433	(9,576)	2,912
HRA Debts	3,183		3,361		3,779	
Provision	(3,181)	2	(3,361)	-	(3,446)	333
Sundry Debtors	4,106		3,389		3,408	
Provision	(1,430)	2,676	(1,511)	1,878	(1,586)	1,822
<b>Total Net Debt</b>		<b>5,490</b>		<b>5,311</b>		<b>5,067</b>

## Proposed Write-Offs at 31 March 2023

- 1.1 The following paragraphs set out for each of the proposed debt streams, the total amounts and number of cases by reason for write-off showing comparison to the previous year. Full case records are retained by the Revenues Team for audit purposes.
- 1.2 Current Tenant arrears are managed by the Tenancy Management Team, within Housing. These debts are dealt with separately and are not included within the proposed write-off below.

### Council Tax and Water Charges

- 1.3 The following table details the proposed write-offs for Council Tax and Water Charges by reason

Reason	2021/22		2022/23	
	No of Accounts	Total £	No of Accounts	Total £
Deceased	454	115,599	603	158,724
Sequestration	192	99,692	350	205,168
Untraceable	97	41,205	91	38,457
Small Balance	-	-	1	1
<b>TOTAL</b>	<b>743</b>	<b>256,496</b>	<b>1,045</b>	<b>402,350</b>

- 1.4 The proposed write off for Council Tax compared with 2021/22 has increased by £145,854, an equivalent of 56.9% and increase of 302 cases.
- 1.5 51% of the council tax accounts being proposed for write-off are due to people being sequestered or entering a Trust Deed. This increase can more than likely be attributed to the cost of living crisis. A further 39% of the council tax accounts being proposed for write-off are due to death of the debtor leaving no estate. The remaining 10% are where there is no information to contact the rate payer and pursue the debt.

## Non Domestic Rates (NDR)

1.6 The following table details the proposed write-offs for NDR by reason.

<b>Year</b>	<b>2021/22</b>		<b>2022/23</b>	
<b>Reason</b>	<b>No of Accounts</b>	<b>Total £</b>	<b>No of Accounts</b>	<b>Total £</b>
Untraceable	3	365	4	33,088
Sequestration/ Liquidation	6	51,874	10	140,528
Ceased Trading/ Dissolved	14	45,214	7	32,638
<b>Total</b>	<b>23</b>	<b>97,453</b>	<b>21</b>	<b>206,254</b>

1.7 The number of cases proposed for write-off have remained at a similar level to 2021/22, however there has been a 112% increase in the total value of proposed write-offs, indicating a higher average value per case than 2021/22.

1.8 The majority of the cases and value of debts identified for write-off (68.1%) are due to Rate Payers entering liquidation or being sequestrated.

## Sundry Debts

- 1.9 The following table sets out the detailed reasons for proposed write-off of Sundry Debts.

Year	2021/22		2022/23	
Reason	No of Accounts	Total £	No of Accounts	Total £
Untraceable	288	25,131	23	924
Sequestration	34	17,685	2	470
Deceased	152	58,158	12	622
Small Balances	7	1,021	-	-
Ceased Trading/ Dissolved	17	12,781	-	-
Time Lapsed	-	-	2,035	618,778
Management Write Off	-	-	7	4,925
<b>Total</b>	<b>498</b>	<b>114,776</b>	<b>2,079</b>	<b>625,719</b>

## Former Tenant Arrears

- 1.10 The following table sets out the detailed reasons for proposed write-off of former tenant arrears.

Year	2021/22		2022/23	
Reason	No of Accounts	Total £	No of Accounts	Total £
Untraceable	-	-	2	406
Deceased	175	50,037	96	49,803
Small Balances	49	251	173	3,513
Sequestration	30	26,545	109	12,346
<b>Total</b>	<b>254</b>	<b>76,833</b>	<b>380</b>	<b>66,068</b>

## Housing Benefit Overpayments

1.11 The following table sets out the detailed reasons for proposed write-off of Housing Benefit Overpayments.

<b>Year</b>	<b>2021/22</b>		<b>2022/23</b>	
<b>Reason</b>	<b>No of Accounts</b>	<b>Total £</b>	<b>No of Accounts</b>	<b>Total £</b>
Deceased	85	15,160	39	4,432
Sequestration	3	412	-	-
Untraceable	14	5,532	-	-
Small Balances	187	1,634	109	2,464
<b>Total</b>	<b>289</b>	<b>22,738</b>	<b>148</b>	<b>6,896</b>



## APPENDIX D

### School Meal Debt by School

1.1 The table below shows the outstanding income due for school meals, by school, that is not yet passed to sundry debtors.

The school lunch debt recorded for the past five years, broken down by year						
School	2018-19 £	2019-20 £	2020-21 £	2021-22 £	2022-23 £	TOTAL ALL YEARS £
Abercromby	-	341.30	362.80	373.30	805.80	1,883.20
Alva PS / Alva ASD	16.20	23.30	150.50	-	-	190.00
Banchory PA	132.40	116.00	50.00	586.00	605.00	1,489.40
Deerpark PS	-	140.00	546.10	470.00	667.15	1,823.25
Fishcross PS	-	-	-	-	14.00	14.00
Park PS	38.00	533.00	516.00	2,117.45	1,580.00	4,784.45
St Bernadette's PS	72.00	319.00	191.00	757.50	405.00	1,744.50
St Serf's PS	117.00	194.20	629.70	280.00	714.70	1,935.60
Strathdevon PS	-	-	-	284.50	-	284.50
Tillicoultry PS				96.00	244.30	340.30
<b>TOTAL</b>	<b>375.60</b>	<b>1,666.80</b>	<b>2,446.10</b>	<b>4,964.75</b>	<b>5,035.95</b>	<b>14,489.20</b>

