
Report to Clackmannanshire Council

Date of Meeting: 27th June, 2019

Subject: Annual Review of Debtors 2018/2019

Report by: Strategic Director (Partnership & Performance)

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 which need to be approved by the end of June each year.

2.0 Recommendations

- 2.1. It is recommended that the council;
 - 2.1.1. note the trends in income collection for 2018/19,
 - 2.1.2. approve the proposed write-off £614,026 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 Revenues Team currently in the Housing Service. All income collected by the service is done so in accordance with the Council's Corporate Debt Recovery and Write-Off Policy. This report analyses collection performance, updates members on actions taken, and proposes the write-off for the financial year.
- 3.2. During the year bills and invoices totalling £77.237m were issued by the Council, a slight decrease from £77.801m in 2017/18.

4.0 Council Tax Collection

- 4.1. In 2018/2019, Council Tax bills totalling £30.577million were issued to 24,630 households. The total income received for Council Tax in 2018/19 was £28.988 million (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 2018/2019 the in-year collection rate was 95.91%. This is a small decrease of 0.23% on the record collection rate of 96.14% in 2017/2018.
- 4.3. The decrease in collection rates follows trends in other local authorities as discussed at recent Institute of Revenues Rating and Valuation (IRRV) forum. Some of the collection drop off can be attributed to the increase in charges. Other influencing factors for this year included the Single Person's Discount Review, for non Council Tax Reduction (CTR) cases, was undertaken during the year, which resulted in the removal of this discount to several accounts. There was also a lower than expected uptake of applications to Council Tax Reduction (£200k less than Scottish Government Budget provision), affected in part by the continuing roll of Universal Credit (UC). In addition, there was also a 50% increase from the previous year in UC accounts at the final notice stage.
- 4.4. We are reviewing processes around this specific element and the DWP have now created a dedicated third party deduction team to deal with the UC Caseload and have now allowed local authorities to make multiple applications at once and return information back within 6 weeks. Software companies are now working with the DWP to attempt to automate this process to minimise the manual effort. Moreover, the DWP are now also allowing local authorities to process CTR applications utilising notifications from the DWP ATLAS information system, which should allow no claims to be missed.
- 4.5. Officers are currently working through referrals from the National Fraud Initiative in relation to possible Single Person's Discount being incorrectly applied due to applicants not updating their details. Sixty cases reviewed so far have uncovered £28,500 of incorrect benefit, which has now been billed to the applicants with another 330 cases at time of writing still to be reviewed.
- 4.6. It should be noted that some of above changes has already led to improvements for example; the Council Tax Collection rate as at 31st May 2019 was 17.91%, which is an increase of 0.05% on the collection rate as at 31st May 2018.

4.7. Sundry Debt Collection

- 4.8. 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 Revenues, and where invoices remain unpaid, reminders are issued, and recovery action occurs where appropriate.

- 4.9. During 2018/2019 invoices totalling £11.492m were issued by the Council with an in-year collection rate of 89.35%. The collection rate has increased from 2017/18 (83.99%). The collection performance can also fluctuate due to the timing and issuing of invoices. Where invoices are raised in the final quarter of the year there is of course 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.
- 4.10. During 2018/19, sundry debt aged over 90 days has increased from 56% to 60%. This is commensurate with improvements in recent invoice collection leaving more challenging debts such as care home charges which could have a charge against the property to clear the invoice debt going to be a growing area in the future. A corporate debt recovery proposal has been issued to the transformational board for consideration, in terms of improvements in this area.
- 4.11. Since 2017/18, finance department have been able to provide individual Council departments with more detailed reports on outstanding invoices, thus enabling services to be more proactive with customers and debts prior to the situation escalating. The Collections team have amended the timetable of running reminder notices, to fit in around the times that invoices are actually due.
- 4.12. **Non Domestic Rates (NDR) Collection**
- 4.13. 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 2018/19 the council billed businesses for rates totalling £16.972m. The collection rate for 2018/19 as a percentage of the total billed was 96.03%. This is an increase of 0.27% on previous collection rate (95.76%).
- 4.14. 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. Recovery action including warrants being granted for our recovery agents is still continuing to improve the overall 2018/19 collection position.
- 4.15. **Housing**
- 4.16. Total gross rental income for 2018/19 payable by almost 5,000 council tenants and associated lock-ups was £18.196 million (up from £17.982 million in 2017/18), an increase of £214,000.
- 4.17. Current tenant arrears have decreased by 13.4%. It should also be noted that there are still some issues around the roll out of UC within Clackmannanshire. At this point last year there were 697 tenants on UC, this has now increased to 1,043 with 85% of these in arrears totalling £550,028. As more claimants go onto UC it is having an adverse affect on the overall arrears figure. Despite having the Scottish flexibilities we still see accounts where claimants have done everything required of them however they end up being in 6-8 weeks of arrears before any payments are made direct to us from DWP. This

then means that we have to request arrears to be paid to us. This will continue to be an issue as more claimants are migrated over to UC. There are also inconsistencies with some accounts having received payments quite quickly which puts tenants in lower arrears than others. There was also one extra rent free 'charge' week this year, which positively affected the end of year arrears balances.

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

	2016-2017	2017-2018	2018-2019	Change
Total Arrears Value	£655,464	£789,143	£773,936	-£15,207
Average value per case	£520	£571	£519	-£52
Total Number of UC cases in arrears at year end	108	611	884	273
Total Arrears Value at year end	£83,031	£455,914	£550,028	£94,114
Average value per case	£710	£747	£622	-£125
Non UC claimants in arrears	1,153	772	641	-131
Total Arrears value for non UC cases	£572,443	£333,229	£239,720	-£93,509
Average value per case	£496	£432	£374	-£58
Total Number of UC claimants at year end	117	697	1,043	346
% UC claimants in arrears	92%	88%	85%	-3%

4.18. Former Tenant Arrears

4.19. 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.

4.20. During the year 310 (47.84%) of the 648 tenancies ended had an outstanding rent balance, amounting to £260,161. This equates to an average former tenant arrear of £839.23. This represents an average increase of £50.14 of debt at tenancy end compared with 2017/18.

4.21. The total outstanding has increased by £32,903, from the previous year.

4.22. Greater use has been made this year of Stirling Park Sheriff Officers for the collection of these accounts, and internal review of collection processes of these accounts continues with consideration being given to all alternative forms of collecting these accounts due, especially as the Sheriff Officer contract specification and tender process is due this financial year.

4.23. The Housing service is exploring new analytical software tool, which has been introduced by other local authorities and RSL's and helps focus recovery

action on tenants by using software algorithms that analyse tenant and customer payment behaviour built up from analysis of millions of transactions across the UK. This allows those organisations to focus on the correct caseload for their patch area. Some organisations have seen a reduction of around 16% of arrears in year 1 of usage and capacity and resources freed up to work closely with tenants on other value add activities. Reductions in current arrears and value are the best way for the council to minimise its former tenant arrears. Progression of the above tool will be subject to the transformational board approval as well as the councils formal tendering and procurement process.

4.24. **Housing Benefit Overpayments**

4.25. 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 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.

4.26. At the end of 2018/19 there were outstanding Housing Benefit overpayment accounts totalling £1,155,037.73. This is an increase of around £56,000 in this financial year. Fraud and Error overpayments is a significant focus for the DWP with the Council receiving dedicated additional funding to carry out fundamental reviews of our HB dataset. In addition, the UK government have granted some additional data tools specifically for this area to ensure claims are being paid out correctly. This resulted in over half of the council's benefit caseload being formally reviewed during 2018/19, with a significant number of claims being ended, benefit awards reducing and a number of customers being referred and investigated for fraud.

4.27. The Department for Work and Pensions have recently engaged with ourselves, and reviewed the overpayment processes from end to end. A number of suggestions have been put forward. A proposal has been issued to the Transformational board for the establishment of a business case, as the DWP team have indicated that additional resources are required, which will be financed by the income gains and debt reductions. The DWP performance team are due back at the end of July to verify their findings and refine their business case findings before presentation to the transformational board members.

5.0 **Overall Debt Position**

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

5.2.

Debtor	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000
Council Tax	10,531	10,531	10,843	11,236
Sundry Debtors	3,358	2,515	3,236	2,529

Debtor	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000
HRA Debts	2,710	2,953	2,938	3,071
Total Gross Debtor	16,599	15,999	17,017	16,836
Total Provision	(10,612)	(11,577)	(12,065)	(12,960)
Total Net Debtor	5,987	4,422	4,952	3,876

- 5.3. 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.
- 5.4. 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.
- 5.5. For 2018/19, 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.

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 2017/18.

Type of Debt	Approved Write-Off 2017/2018		Proposed Write-Off 2018/2019	
	Number of Accounts	Value (£)	Number of Accounts	Value (£)
Council Tax	649	200,245	915	316,377
NDR	42	213,623	52	141,728
Sundry Debts	6	446,413	30	21,322
Former Tenant Arrears	50	44,246	60	71,699
Housing Benefit Overpayments	247	170,394	28	62,900
Total	994	1,074,921	1,085	614,026

- 6.2. 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 has 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.
- 6.3. Appendix A gives a full breakdown of reasons for the proposed write-off of debts in each income stream. For 2018/19 the number of proposed council tax accounts for write-off has increased by £116,132. Over one third of the council tax accounts being proposed for write-off are due to death of the debtor leaving no estate. Whilst over one half of the council tax accounts being proposed for write-off are due to people being sequestered or going into bankruptcy.
- 6.4. Overall, there has been a decrease in the value of proposed write-off this year of £460,895, although there has been an increase in the number of accounts.
- 6.5. As members will be aware, in the previous financial year, there had been two sundry debtors' accounts proposed for write-off with a total value in excess of £400k, which skewed the write-off figures.

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

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	<input checked="" type="checkbox"/>
Our families; children and young people will have the best possible start in life	<input type="checkbox"/>
Women and girls will be confident and aspirational, and achieve their full potential	<input type="checkbox"/>
Our communities will be resilient and empowered so that they can thrive and flourish	<input type="checkbox"/>

(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? 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 - Annual Review of Debtors 2018/19

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) No

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
James Moore	Supervisor	5128
Frances Malloy	Supervisor	6223
Murray Sharp	Service Manager	5113

Approved by

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

ANNUAL DEBTORS REVIEW 2018/19

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 2016/17 to 2018/19

	2016-17 £000	2017-18 £000	2018-19 £000
Current tenant arrears	708	894	774
Former tenant arrears	818	816	1,018
HB Overpayments	1,207	1,099	1,155
Rechargeable Repair	196	101	99
Other Miscellaneous	14	28	25
Total Gross Debtor	2,943	2,938	3,071
Provision	(2,431)	(2,416)	(2,683)
Total Net Debtor	512	522	388

- 1.2 The majority of this debt is accounted for within the Housing Revenues Account, with the exception of Housing Benefit Overpayments which are included in the general fund account.
- 1.3 For 2018/19 the gross Debtor has increased by £133,000.
- 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 2018/19 this was 9.05%, a slight decrease from 2017/18's performance of 9.1%. 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 2018-19
IRRECOVERABLE DEBT FOR WRITE-OFF

1.0 Introduction

- 1.1. The following table identifies the proposed write-offs for each income stream for 2018/19, together with a comparison of the write off approved for 2017/18. The 2018/19 Statement of Accounts reflects the net debt position.

Proposed write-offs for 2018-19

Type of Debt	Approved Write Off 2017/18		Proposed Write Off 2018/19	
	Number of accounts	Value	Number of accounts	Value
Council Tax	649	200,245	915	316,377
NDR	42	213,623	52	141,728
Sundry Debt	6	446,413	30	21,322
Former Tenant Arrears	50	44,246	60	71,699
Housing Benefit Overpayments	247	170,394	28	62,900
Total	994	1,074,921	1,085	614,026

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	2017-18		2018-19	
	No of Accounts	Total £	No of Accounts	Total £
Deceased	360	80,922	478	110,572
Sequestration	281	117,156	375	178,445
Untraceable	2	32	0	0
Small Balance	2	16	3	6
Management W/O	-	-	0	0
Outwith Jurisdiction	2	1,692	33	15,548
Sherriff Officer Uncollectable	2	427	0	0
Gone Away	0	0	26	11,806
TOTAL	649	200,245	915	316,377

ANNUAL DEBTORS REVIEW 2018-19

IRRECOVERABLE DEBT FOR WRITE-OFF

- 1.3. The proposed write off for Council Tax compared with 2017-18 has increased by £116132, an equivalent of 57.79%. The largest increase (31 cases) being those debts deemed as outwith jurisdiction, meaning that they are no longer living in Scotland. Write-offs due to Sequestrations have increased by 52.3.1%, and deceased cases have increased by 36.64%.

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	2017-18		2018-19	
	No of Accounts	Total £	No of Accounts	Total £
Moved away/Untraceable	11	14,360	14	12,103
Deceased	0	0	0	0
Sequestration/liquidation	11	66,535	18	72,454
Immaterial Balances	0	0	0	0
Trust Deed	0	0	3	6,788
Cease Trading	20	132,726	14	44,483
In Administration	0	0	3	5,900
TOTAL	42	213,621	52	141,728

- 1.5. Although there has been a decrease in the value of proposed write-offs from £213,621 in 2017/18 to £141,728 for 2018/19, there has been an increase in the number of cases. 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 a phenomenon 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.

Sundry Debt

- 1.6. Sundry debtors has been subject to ongoing review, with Revenues and Finance working to reconcile files sent to Sheriff Officers and to ensure all debtor status are updated. In addition, engagement with social work during the year in terms of their process, has led to a proposal to the transformational board with a possible business case to be developed to progress actions in this area. There has been an increase in the number of accounts being proposed for write-off, however the value has significantly decreased from £446,413 in 2017/18 to £21,322 for 2018/19.

ANNUAL DEBTORS REVIEW 2018-19
IRRECOVERABLE DEBT FOR WRITE-OFF

Reason	Actual 2017-18		Proposed 2018-19	
	Number	£	Number	£
Deceased	0	0	10	3,599
Sequestration	0	0	2	2,624
Untraceable	0	0	7	6,052
Administration/Dissolved	6	446,413	2	3,615
Small Balance	0	0	1	41
Other	0	0	8	5,391
TOTALS	6	446,413	30	21,322

Former Tenant Rent Arrears

- 1.7. The following tables show the proposed write-offs for Former Tenant Arrears for dwellings and lock-ups showing the write-offs split into each reason type.
- 1.8. The number of former tenant arrears accounts proposed for write-off this year has increased from the 49 proposed for write-off 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.

Reason	Proposed 2017-18		Proposed 2018-19	
	Number	Total £	Number	Total £
Deceased	30	19,317	8	6,860
Untraceable	0	0	0	0
Prescribed	3	1,551	44	46,610
Sequestered	14	22,100	8	18,229
In Prison	0	0	0	0
Long Term Care	0	0	0	0
Small Balances	0	0	0	0
Abandonment/Management Write Off	2	1,277	0	0
TOTALS	49	44,245	60	71,699

ANNUAL DEBTORS REVIEW 2018-19
IRRECOVERABLE DEBT FOR WRITE-OFF

Housing Benefit Overpayments

- 1.9. As noted to Council last year, HB had not been written off for some time due to processes to improve information held and allow the position to be reviewed once the Sheriff Officers had completed an exercise with the data. This resulted in £170,394 being proposed for write-off last financial year, compared with the £62,900 this year. The reasons for which are detailed below.

Actual 2017-18			Proposed 2018-19		
Reason	Number	Total £	Reason	Number	Total £
Abandoned	0	0	Abandoned	0	
Deceased	25	49,317	Deceased	3	7,111
In long term care	1	667	in long term care	0	0
Sequestered	18	21,997	Sequestered	7	20,989
Time Elapsed	201	98,047	Time Elapsed	15	28,398
Untraceable/ Unknown	2	366	Untraceable/ Unknown	3	6,402
TOTALS	247	170,394	TOTALS	28	62,900

ANNUAL DEBTORS REVIEW 2018/19
DETAILED DEBTORS POSITION TO MARCH 2019

Debtor	2015-16 £000 ¹		2016-17 £000 ¹		2017-18 £000 ¹		2018-19 £000 ²	
Council Tax	10,531		10,531		10,843		11,236	
Provision	(7,559)	2,972	(7,927)	2,604	(8,300)	2,543	(8,996)	2,240
Rent	2,710		2,953		2,938		3,071	
Provision	(2,220)	490	(2,449)	504	(2,416)	522	(2,683)	388
Sundry Debtors	3,358		2,515		3,236		2,674	
Provision	(833)	2,525	(1,113)	1,402	(1,349)	1,887	(1,584)	1,090
Total Net Debt		5,987		4,510		4,952		3,718

- 1.0. The above table details the debt position of the main council income source and the provision made against each. The Council Tax debt has increased by £323k compared with 2017/18. This is reflected in the slight reduction of the collection rate to 95.91%.
- 1.1. An examination of this underlying figure and collection rate is that our collection of Scottish Water charges has fallen again for 2018/19. This is a trend that has been recurring since 2016/17. Due to the line-by-line apportionment has meant that our overall debt has increased. Scottish Water has been in discussions with COSLA trying to ensure that all councils are using all methods of recovery available to ensure their collection is improved. A number of Scottish local authorities have started using and exploring Water Direct with payments for water charges being paid direct from benefit awards. As part of the revenues updated IT system this functionality will be available to the authority by quarter 3.
- 1.2. Provision for debts has decreased in the last financial year owing to the value of debts outstanding. The Council now needs to give cognisance to new International Financial Reporting Standards (IFRS), which is requiring a fundamental review of provision made for debtors based on historic practice of non-payment.

¹ These figures are post audit and reflect the position on the Council's Financial Statement

² These figures are draft and are still subject to change as part of the 2018/19 external audit of the Council's Financial Statements

