

Bolsover District Council

Executive

19 July 2021

Corporate Debt – 2020/21

Report of the Portfolio Holder - Finance

Classification: This report is public

Report By: Theresa Fletcher, Head of Finance and Resources

Contact Officer: Theresa Fletcher – 01246 242458
theresa.fletcher@bolsover.gov.uk

PURPOSE / SUMMARY

To present to Executive a summary of the corporate debt position at 31 March 2021.

RECOMMENDATIONS

- 1 That Executive note the report concerning the Council's Corporate Debt as at 31 March 2021.
-

IMPLICATIONS

Finance and Risk: Yes No

Details:

The current position regarding corporate debt is given throughout the report. Failure to collect this debt would have a detrimental impact on the Council's financial position if sufficient bad debt provisions were not in place. It must be remembered that the pandemic will be impacting on the arrears for all our main sources of income at 31st March 21.

On Behalf of the Section 151 Officer

Legal (including Data Protection): Yes No

Details:

There are none arising directly from this report.

On Behalf of the Solicitor to the Council

Staffing: Yes No

Details: There are no Human Resources issues arising directly from this report.

On behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Significantly Affected	None directly
Consultation: Leader / Deputy Leader <input checked="" type="checkbox"/> Cabinet / Executive <input type="checkbox"/> SAMT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input checked="" type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Click here to enter text. Details: Portfolio holder

Links to Council Ambition (BDC)/Council Plan (NED) priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.

REPORT DETAILS

1 Background

- 1.1 The main sources of income for the Council's General Fund are business rates, council tax, a small number of government grants and service related income. The main source of income for the Council's Housing Revenue Account is dwelling rent, often referred to as 'housing rents'. Government grants are paid over to us on agreed dates direct into our bank account so there is no need to include them on any of our debtor systems. For most other sources of income we have to request the income due to us.

- 1.2 We request the income due to us on the relevant system by raising bills for business rates, council tax and housing rents. There is legislation in place for each of these sources which determines the rules of collecting this income.
- 1.3 For service related income, invoices are raised on the sundry debtor system which is a module of our Civica Financial Management System. Examples of types of income include: housing benefit overpayment, trade refuse, industrial unit rent, garage site rent, wardens service and alarms and leisure hire of facilities. This income is reported in two amounts with housing benefit overpayments identified from the rest.
- 1.4 The following table shows the sources of income for Bolsover District Council as at 31 March 2021 and 2020 for comparison:

Table 1 – Sources of Income

	2019/20	2020/21	
position at end of	Q4	Q4	variance
	£'000	£'000	£'000
NNDR	(28,218)	(28,585)	(367) *
Council tax	(41,995)	(43,683)	(1,688) **
Housing Rents	(19,948)	(20,330)	(382)
Overpaid housing benefits	(617)	(391)	226
Sundry Debtors	(6,573)	(5,146)	1,427
	<hr/>	<hr/>	
	(97,351)	(98,135)	(784)
* This is 100%, our share of this is 40%			
** This is 100%, our share of this is 16.53% 19/20 + 16.46% 20/21			

- 1.5 (*and **) these debts are part of the collection fund and are shared with major preceptors including the County, police and fire. Only a percentage of these debts belong to Bolsover District Council.
- 1.6 Debtors of a Local Authority are very sensitive to change. If a tenant/tax payer's circumstances change it can become difficult for them to keep paying their rent or council tax. Informing us of a change in personal circumstances late can

mean more benefit is paid than they are entitled to which can mean they become benefit overpayment debtors.

- 1.7 Circumstances can change quickly and mean debtors fall into arrears. It is very common for Local Authority's to have arrears balances due to the vulnerable nature of some of its debtors. Debt management is how the Council manages its arrears and debtors. The following table shows the level of arrears for Bolsover District Council at 31 March for the last two financial years. This information is published in the Council's Statement of Accounts document each year.

Table 2 – Level of Arrears

	2019/20	2020/21	
position at end of	Q4	Q4	variance
	£	£	£
NNDR	422,563	555,701	133,138 *
Council tax	2,543,341	3,540,825	997,484 **
Housing Rents	1,131,486	1,709,514	578,028
Overpaid housing benefits	1,766,212	1,643,213	(122,999)
Sundry Debtors	800,567	610,706	(189,861)
	<hr/>		
	6,664,169	8,059,959	1,395,790

- 1.8 As you can see from table 2, arrears have increased in 2020/21 for nndr, council tax and housing rents. Almost certainly the Coronavirus pandemic is part of the reason for this. This may be less so for nndr as the amount of reliefs provided by Government £7.8m, will have meant some businesses had little or no liability to pay for 2020/21.
- 1.9 Part of managing the debt is assessing the likelihood of future non-collection. At each year end, an estimate of non-collection is made based on historic payment information for the same class of debt. An amount equal to the non-collection is charged against our revenue account and saved in a provision for future use. The provision is often referred to as the bad debt provision. It is considered prudent to not include all the income in the revenue accounts in a year when there is a chance it won't all be collected.
- 1.10 As part of year end work the provision balance for each class of debt is reviewed, compared against latest arrears balances to ensure it still covers the

amount of non-collection in case we have to write-off debts, and either increased or decreased, whichever is appropriate.

1.11 Although 2019/20 was relatively unaffected by the Coronavirus pandemic, when we assessed the provision levels at 31 March 2020, we increased the provisions slightly in anticipation of the financial effect on businesses and individuals in 2020/21.

1.12 As you can see from the following table which shows the bad debt provision for each class of debtor at 31 March for the last two financial years, we felt it necessary to increase the provision considerably for nndr, council tax and housing rents based on the increased arrears balances at 31/3/21.

Table 3 - Bad Debt Provisions

	2019/20	2020/21	
position at end of	Q4	Q4	variance
	£	£	£
NNDR	(286,317)	(555,701)	(269,384) *
Council tax	(1,517,431)	(2,206,432)	(689,001) **
Housing Rents	(607,220)	(1,154,736)	(547,516)
Overpaid housing benefits	(1,406,455)	(1,365,626)	40,829
Sundry Debtors	(80,783)	(140,518)	(59,735)
	<u>(3,898,206)</u>	<u>(5,423,013)</u>	<u>(1,524,807)</u>

1.13 As previously mentioned there is legislation that governs the collection of business rates, council tax and housing rents. As a Local Authority it is necessary to have a debt collection process that adheres to legislation but ensures the maximum amount of income is collected.

1.14 Members will be aware that due to Covid, from mid-March to the 30th of June 2020, the Council took no recovery action regarding debt collection. From the 1st of July we began 'soft recovery' along with the other Derbyshire authorities. This meant people who owed the Council money received extra letters offering help to settle what they owed over a longer period.

1.15 Between 1st of July and 4th November we took small steps towards getting back to pre-Covid processes in our recovery of debts but staff were still contacting debtors by telephone who had not responded to our letters. We saw positive

results from this interaction by payment plans being arranged or some settling their debts in full immediately.

- 1.16 In November when we went back into lockdown, we again reverted to soft recovery and did not send out any court letters. Contact centres were closed and those who pay by cash were unable to make payments so we planned to allow time for missed cash payment to be made before undertaking full recovery again. As we went almost immediately into a third lockdown, we ended the year undertaking soft recovery only and did not send any further court letters out for the year.
- 1.17 The strategy of undertaking mostly soft recovery action during 2020/21 could have meant businesses and individuals took advantage of not being chased and reprioritised their debts if they were having difficulties, which could be another reason for arrears levels being higher.
- 1.18 Now we have reverted once again to pre-Covid processes, it is hoped we will see a sharp increase in the number of businesses and individuals setting up arrangements to pay off their outstanding arrears as staff are once again contacting debtors and offering ways to help.
- 1.19 Indicators for debt collection are monitored through the 'Perform' system and reported at the quarterly performance meetings where any areas of concern are raised. Targets for collecting income and reducing arrears for each class of debt are set and monitored. The performance data on debt collection is also reported quarterly to Executive for information where any areas of concern are raised/discussed.
- 1.20 The following table shows for 2020/21 the movement since last financial year in the value of each source of income, the amount that is outstanding as arrears and the bad debt provision which relates to that source of income.

Table 4 – Summary for 2020/21

	Income	Arrears	Provision	
	£	£	£	
NNDR	(367,000)	133,138	(269,384)	*
Council tax	(1,688,000)	997,484	(689,001)	**
Housing Rents	(382,000)	578,028	(547,516)	
Overpaid housing benefits	226,000	(122,999)	40,829	
Sundry Debtors	1,427,000	(189,861)	(59,735)	
Totals	(784,000)	1,395,790	(1,524,807)	

1.21 Over all in 2020/21 we have raised on our systems £0.784m (net) more in income. Our arrears have increased by £1.4m but if we include just nndr, council tax and housing rents the increase is £1.7m. We have increased the bad debt provisions by £1.5m.

2 Reasons for Recommendation

2.1 To ensure that Executive are informed of the latest position concerning the Council's debt.

3 Alternative Options and Reasons for Rejection

3.1 This report is for information only.

DOCUMENT INFORMATION

Appendix No	Title
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	