

Bolsover District Council

Meeting of the Executive on Monday 8th August 2022

Corporate Debt – 2021/22

Report of the Portfolio Holder for Finance

Classification	This report is public
Report By	Assistant Director of Finance and Resources
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PURPOSE/SUMMARY OF REPORT

To present to Executive a summary of the corporate debt position at 31st March 2022.

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 31st March 2022 and 2021 for comparison:

Table 1 – Sources of Income

position at end of	2020/21	2021/22	variance
	Q4	Q4	
	£'000	£'000	
NNDR	(28,585)	(28,616)	(31) *
Council tax	(43,683)	(45,797)	(2,114) **
Housing Rents	(20,330)	(20,618)	(288)
Overpaid housing benefits	(391)	(338)	53
Sundry Debtors	(5,146)	(5,794)	(648)
	(98,135)	(101,163)	(3,028)
* This is 100%, our share of this is 40%			
** This is 100%, our share of this is 16.46% 20/21 + 16.76% 21/22			

- 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 The figures in table 1 show an increase in income billed in the year for most sources. The reduction in income from housing benefit overpayments is good news as it means less claimants have been paid too much benefit so we've therefore had less income to reclaim.
- 1.7 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.
- 1.8 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 31st 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

	2020/21	2021/22	
position at end of	Q4	Q4	variance
	£	£	£
NNDR	555,701	628,635	72,934 *
Council tax	3,540,825	3,982,873	442,048 **
Housing Rents	1,709,514	1,598,520	(110,994)
Overpaid housing benefits	1,643,213	1,501,936	(141,277)
Sundry Debtors	610,706	835,380	224,674
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	8,059,959	8,547,344	487,385

- 1.9 As you can see from table 2, arrears have increased in 2021/22 for nndr, council tax and sundry debtors. During 2021/22 there was a lot less relief provided by Government for businesses and individuals compared to 2020/21. The current levels of arrears for both nndr and council tax are the highest they've been in recent years, this is almost certainly a consequence of the pandemic. Sundry debtor arrears fluctuate depending on if large invoices are raised close to 31st March, but aren't paid until April.
- 1.10 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.
- 1.11 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.
- 1.12 For the last 2 years when we've assessed the provision levels at year end, we've increased the provisions by £1.6m in total, in anticipation of the financial effect of the pandemic on businesses and individuals.

1.13 As you can see from the following table which shows the bad debt provision for each class of debtor at 31st March for the last two financial years, we felt it necessary to increase the provision again this year but not significantly. Although arrears levels for some sources are higher than normal, the provision pots we've built up over the last 2 years mean only a small increase was required this year.

Table 3 - Bad Debt Provisions

position at end of	2020/21	2021/22	variance
	Q4	Q4	
	£	£	
NNDR	(555,701)	(564,538)	(8,837) *
Council tax	(2,206,432)	(2,229,115)	(22,683) **
Housing Rents	(1,154,736)	(1,188,238)	(33,502)
Overpaid housing benefits	(1,365,626)	(1,397,313)	(31,687)
Sundry Debtors	(140,518)	(224,804)	(84,286)
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	(5,423,013)	(5,604,008)	(180,995)

1.14 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.

1.15 Members will be aware that throughout the pandemic recovery action for debt collection was completely suspended a number of times. Each time we restarted with soft recovery where staff made contact with debtors to help them settle their debts by providing reminders and setting up payment plans.

1.16 We have been carrying out pre-Covid debt collection processes for most of 2021/22 and it is clear that the pandemic has had an effect on business and individuals' ability to pay, as the arrears levels demonstrate. The current 'cost of living' crisis may exacerbate this but we will continue to provide the payment plan facility for debtors to help where we can and carry out recovery action as necessary.

1.17 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.

- 1.18 The following table shows for 2021/22 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 2021/22

	Income	Arrears	Provision	
	£	£	£	
NNDR	(31,000)	72,934	(8,837)	*
Council tax	(2,114,000)	442,048	(22,683)	**
Housing Rents	(288,000)	(110,994)	(33,502)	
Overpaid housing benefits	53,000	(141,277)	(31,687)	
Sundry Debtors	(648,000)	224,674	(84,286)	
Totals	(3,028,000)	487,385	(180,995)	

- 1.19 Over all in 2021/22 we have raised on our systems £3.028m (net) more in income. Our arrears have increased by £0.487m but if we exclude the reductions in arrears for housing rents and housing benefit overpayments, the increase is £0.740m. We have increased the bad debt provisions by £0.181m.

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.

RECOMMENDATION(S)

1. That Executive note the report concerning the Council's Corporate Debt as at 31st March 2022.

Approved by the Portfolio Holder - Cllr Clive Moesby, Executive Member for Finance

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 Covid-19 pandemic continues to impact on the arrears for all our main sources of income at 31st March 2022.

On behalf of the Section 151 Officer

Legal (including Data Protection): Yes No **Details:**

There are no legal or data protection issues arising directly from this report.

On behalf of the Solicitor to the Council

Staffing: Yes No **Details:**

There are no human resource issues arising directly out of this report.

On behalf of the Head of Paid Service

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: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? <i>(Only Key Decisions are subject to Call-In)</i>	No

District Wards Significantly Affected	None directly
Consultation: Leader / Deputy Leader <input type="checkbox"/> Executive <input type="checkbox"/> SLT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Details: Portfolio Holder for Finance

Links to Council Ambition: Customers, Economy and Environment.

DOCUMENT INFORMATION

Appendix No	Title

Background Papers

<i>(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 Executive you must provide copies of the background papers).</i>
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None
