

Bolsover District Council

Meeting of the Executive on 29th July 2024

Corporate Debt – 2023/24

Report of the Portfolio Holder for Resources

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|------------------------|---|
| Classification | This report is public |
| Contact Officer | Theresa Fletcher Director of Finance and Section 151 Officer |

PURPOSE/SUMMARY OF REPORT

To present to Executive a summary of the corporate debt position at 31 March 2024.

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 of March 2024 and 2023 for comparison:

Table 1 – Sources of Income

| position at end of | 2022/23 | 2023/24 | variance |
|---|-----------|-----------|------------|
| | Q4 | Q4 | |
| | £'000 | £'000 | |
| NNDR | (28,632) | (30,709) | (2,077) * |
| Council tax | (48,316) | (51,148) | (2,832) ** |
| Housing Rents | (21,606) | (22,852) | (1,246) |
| Overpaid housing benefits | (545) | (1,324) | (779) |
| Sundry Debtors | (7,421) | (18,980) | (11,559) |
| | (106,520) | (125,013) | (18,493) |
| * This is 100%, our share of this is 40% | | | |
| ** This is 100%, our share of this is 16.83% 22/23 + 17.28% 23/24 | | | |

- 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 all sources. The increase in the sundry debtors income is almost all due to us raising invoices to Dragonfly as part of establishing the new arrangements between us. This figure should not be as high for 2024/25.
- 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 of 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

| | 2022/23 | 2023/24 | |
|---------------------------------|------------|------------|------------|
| position at end of | Q4 | Q4 | variance |
| | £ | £ | £ |
| NNDR | 728,536 | 951,932 | 223,396 * |
| Council tax | 4,895,478 | 5,574,252 | 678,774 ** |
| Housing Rents | 1,839,283 | 1,736,048 | (103,235) |
| Overpaid housing benefits | 1,436,046 | 1,324,478 | (111,568) |
| Sundry Debtors | 1,596,748 | 1,026,101 | (570,647) |
| | <hr/> | <hr/> | |
| | 10,496,091 | 10,612,811 | 116,720 |

- 1.9 As you can see from table 2, arrears have increased in 2023/24 for nndr and council tax. Individuals and businesses are still struggling to pay, depending on their individual circumstances. As always, payment plans have been agreed to help debtors not get into arrears if possible. The current levels of arrears for nndr and council tax are the highest they've been in recent years. This is almost certainly left over from the pandemic and the increase in the cost of living. Sundry debtor arrears fluctuate depending on if large invoices are raised close to the 31st of 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, but its proper name is the impairment allowance. 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 impairment allowance 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 3 years when we've assessed the impairment allowance levels at year end, we've increased them by over £2.5m in total, in anticipation of the financial effect of the pandemic and the cost-of-living increases, on businesses and individuals.

1.13 As you can see from the following table which shows the provision for impairment for each class of debtor at 31 March for the last two financial years, we felt it necessary to increase the provision again this year.

Table 3 – Impairment Allowances

| position at end of | 2022/23 | 2023/24 | variance |
|---------------------------------|-------------|-------------|--------------|
| | Q4 | Q4 | |
| | £ | £ | |
| NNDR | (674,517) | (888,561) | (214,044) * |
| Council tax | (2,645,660) | (3,164,608) | (518,948) ** |
| Housing Rents | (1,415,158) | (1,312,962) | 102,196 |
| Overpaid housing benefits | (1,324,003) | (1,251,391) | 72,612 |
| Sundry Debtors | (275,275) | (399,337) | (124,062) |
| | <hr/> | <hr/> | <hr/> |
| | (6,334,613) | (7,016,859) | (682,246) |

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 Our debt collection processes are now operating as normal but it is clear that the pandemic and cost of living influenced business and individuals' ability to pay, as the arrears levels demonstrate. Staff continue to contact debtors to help them settle their debts by providing reminders and setting up payment plans, we will continue to provide the payment plan facility for debtors to help where we can and carry out recovery action as necessary.

1.16 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.

1.17 The following table shows for 2023/24 the movement since the last financial year in the value of each source of income, the amount that is outstanding as arrears and the impairment allowance which relates to that source of income.

Table 4 – Summary for 2023/24

| | Income | Arrears | Provision | |
|---------------------------|---------------------|----------------|------------------|----|
| | £ | £ | £ | |
| NNDR | (2,077,000) | 223,396 | (214,044) | * |
| Council tax | (2,832,000) | 678,774 | (518,948) | ** |
| Housing Rents | (1,246,000) | (103,235) | 102,196 | |
| Overpaid housing benefits | (779,000) | (111,568) | 72,612 | |
| Sundry Debtors | (11,559,000) | (570,647) | (124,062) | |
| Totals | (18,493,000) | 116,720 | (682,246) | |

- 1.18 Overall, in 2023/24 we have raised on our systems £18.493m (net) more in income. Our arrears have increased by £0.117m but if we exclude any reductions in arrears, the increase is £0.902m. We have increased the impairment allowances by £0.682m (net).
- 1.19 International Financial Reporting Standard (IFRS) 9 – Financial Instruments, requires the Council to write-off debt as soon as it is deemed uncollectable. This is to ensure the correct value of arrears is included on the Council’s balance sheet at 31st of March each year.
- 1.20 The Council's Constitution allows the Director of Finance & Section 151 Officer, ‘after consultation with the relevant Portfolio Holder, to authorise the write-off of bad debts up to an approval limit of £2,500.’
- 1.21 Executive approve the write-off of bad debts which are individually over £2,500 on receipt of a report, during the year. Table 5 below, shows the value of bad debts written off over the last financial year (2023/24). In all cases, every attempt was made by the Council and agencies working with the Council, to collect the outstanding debt before write-off was proposed.
- 1.22 Should any chance to collect the debt occur in the future, the debts can be written back on to the relevant system. Writing-off amounts which are no longer collectable is an essential part of the debt management process. It ensures that a focus is maintained on those amounts which are collectable, thus maximising overall levels of collection.

Table 5 – Debts written-off during 2023/24

| | Write-offs more than £2,500 23/24 £ | Write-offs less than £2,500 23/24 £ | Total 23/24 £ |
|-----------------------------|---|---|---------------------|
| Business Rates | 81,790 | (25,870) | 55,920 |
| Council Tax | 50,376 | 64,041 | 114,417 |
| Housing Rents | 37,420 | 135,864 | 173,284 |
| Overpaid Housing Benefit | 16,810 | 8,718 | 25,528 |
| Sundry Debtors | 0 | 6,511 | 6,511 |
| Total | 186,397 | 189,063 | 375,460 |

1.23 This year has seen a significant amount of housing rents debt written-off, as officers have looked through the debt in detail as part of using the new software package purchased to help them focus on the most collectable arrears.

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)

That Executive note the report concerning the Council's Corporate Debt as at 31st March 2024.

Approved by Councillor Clive Moesby, Portfolio Holder for Resources

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 impairment allowances were not in place. It must be remembered that the Covid-19 pandemic and increase in cost of living, continue to impact on the arrears for some of our main sources of income at 31st March 2024.

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

Environment:

Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.

Details:

Not applicable to this report.

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

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

| | |
|--|--|
| 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 checked="" type="checkbox"/> | Details: Portfolio Holder for Resources |

Links to Council Ambition: Customers, Economy and Environment.

| DOCUMENT INFORMATION | |
|-----------------------------|--------------|
| Appendix No | Title |
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| 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> |
| None |