Bolsover District Council

Executive

28th September 2020

Corporate Debt – 2019/20

Report of the Portfolio Holder - Finance and Community Safety

This report is public

Purpose of the Report

- The purpose of this report is to present to Executive a summary of the corporate debt position at 31 March 2020.

1   Report Details

1.1   To update Executive on the position regarding corporate debt.

1.2   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.

1.3   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.

1.4   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.

1.5   The following table shows the sources of income for Bolsover District Council as at 31 March 2020 and 2019 for comparison:

Table 1 - Sources of Income

position at end of	2018/19	2019/20		
	Q4	Q4	variance	
	£'000	£'000	£'000	
NNDR	(27,795)	(28,218)	(423)	*
Council tax	(39,463)	(41,995)	(2,532)	**
Housing Rents	(20,067)	(19,948)	119	
Overpaid housing benefits	(764)	(617)	147	
Sundry Debtors	(6,116)	(6,573)	(457)	
	(94,205)	(97,351)	(3,146)	

* This is 100%, our share of this is 50% 18/19 + 40% 19/20
** This is 100%, our share of this is 16.02% 18/19 + 16.53% 19/20

1.6 (* 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. Dwelling rents for 2019/20 were still set at a 1% reduction on the previous year in line with Government policy, hence the adverse variance. The reduction in income from overpaid housing benefits is actually a good thing. These debts are notoriously difficult to collect and this means benefits have not been over claimed as much, for whatever reason.

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 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

	2018/19	2019/20		
position at end of	Q4	Q4	variance	
	£	£	£	
NNDR	322,617	422,562	99,945	*
Council tax	2,320,680	2,543,341	222,662	**
Housing Rents	1,167,932	1,131,486	(36,446)	
Overpaid housing benefits	1,853,148	1,766,212	(86,936)	
Sundry Debtors	587,698	800,567	212,869	
	6,252,075	6,664,169	412,094	

1.9 It is felt unlikely that the increases in the arrears levels are related to the Coronavirus pandemic and more that they are a consequence of the higher income figures. Both business rates and council tax arrears remain in line with the 2018/19 levels, at below 1.5% and 6% respectively. Sundry debtor processing has moved to finance during 2019/20. The focus throughout March was to encourage departments to raise invoices due for 2019/20 before the end of March to avoid manual accruals. This is a change to previous years but also means the arrears are less than 30 days old and therefore not overdue.

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 While we don't think 2019/20 was affected by the Coronavirus pandemic, 2020/21 will almost certainly be. Therefore, while assessing the provision levels for final account purposes we considered it prudent and sensible to increase the provisions to more than we would normally in anticipation of the financial effect of the pandemic on businesses and individuals. This means if we do have higher than usual amounts of debt not paid to us, we have already set-a-side the cash on the balance sheet to finance some of the write-offs. If the provisions are not needed we can release the amounts back into the revenue accounts next March.

The following table shows the bad debt provision for each class of debtor at 31 March for the last two financial years:

Table 3 - Bad Debt Provisions

position at end of	2018/19 Q4	2019/20 Q4	variance	
	£	£	£	
NNDR	(196,045)	(286,317)	(90,272)	*
Council tax	(1,326,923)	(1,517,431)	(190,508)	**
Housing Rents	(617,308)	(607,220)	10,088	
Overpaid housing benefits	(1,346,475)	(1,406,455)	(59,980)	
Sundry Debtors	(42,341)	(80,783)	(38,442)	
	(3,529,092)	(3,898,206)	(369,114)	

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 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.

1.15 The performance data on debt collection is also reported quarterly to Executive for information where any areas of concern are raised/discussed.

1.16 The following table shows for 2019/20 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.

1.17 Over all in 2019/20 we have raised on our systems £3.1m more in income, our arrears have increased by £0.412m and we have increased the bad debt provisions by £0.369m, partly in anticipation of the financial effect of Coronavirus.

Table 4 – Summary for 2019/20

	Income	Arrears	Provision	
	£	£	£	
NNDR	(423,000)	99,945	(90,272)	*
Council tax	(2,532,000)	222,662	(190,508)	**
Housing Rents	119,000	(36,446)	10,088	
Overpaid housing benefits	147,000	(86,936)	(59,980)	
Sundry Debtors	(457,000)	212,869	(38,442)	
Totals	(3,146,000)	412,094	(369,114)	

2 Conclusions and Reasons for Recommendation

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

3 Consultation and Equality Impact

3.1 There are no consultation and equality impact implications from this report.

4 Alternative Options and Reasons for Rejection

4.1 This report is for information only.

5   Implications

5.1   **Finance and Risk Implications**

5.1.1 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.

5.2   **Legal Implications including Data Protection**

5.2.1 There are none arising directly from this report.

5.3   **Human Resources Implications**

5.3.1 There are none arising directly from this report.

6   Recommendations

6.1   That Executive note the report concerning the Council's Corporate Debt as at 31st March 2020.

7   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* ☐ *Capital - £150,000* ☐ *NEDDC:* *Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has the relevant Portfolio Holder been informed?	Yes
District Wards Affected	None Directly
Links to Corporate Plan priorities or Policy Framework	All

8   **Document Information**

Appendix No	Title
N/A	

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)

Report Author	Contact Number
Head of Finance and Resources	01246 242458