

# CABINET



**URN:** 23-048

**Report Title :** Annual Debt Report 2022/23

**Report to:** Cabinet

**Date of meeting :** 10<sup>th</sup> July 2023

**Responsible Cabinet Member:** Cllr Carl Smith

**Responsible Director / Officer :** Miranda Lee, Head of Customer Services

**Is this a Key decision ?** No

**Date added to Forward Plan of Key Decisions if a Key Decision:**

## EXECUTIVE SUMMARY / INTRODUCTION FROM CABINET MEMBER

This is an annual report detailing the council's collection performance and debt management arrangements for 2022/23. The report includes a:

- Summary of debts written off in each debt area showing the reasons for write-off and values
- Collection performance for Council Tax and Non- Domestic Rates.
- Level of arrears outstanding
- Level of provision for bad and doubtful debts

## RECOMMENDATIONS :

That Cabinet : Approve the annual report giving details of the Council's write-offs in accordance with the Council's Recovery Guidelines and performance in relation to revenues collection

## 1. INTRODUCTION

1.1 The Annual Debt Recovery Report is one of the performance management measures to provide members with outturn figures for 2022/23 for the following:

- A summary of debts written off in each debt area showing the reasons for write off and values
- Collection performance for Council Tax and Non - Domestic Rates (Business Rates)
- Level of arrears outstanding
- Level of provision for bad and doubtful debts

1.2 Writing off bad debts is a necessary function of any organisation collecting money. The Council is committed to ensuring that debt write offs are kept to a minimum by taking all reasonable steps to collect monies due. There will be situations where the debt recovery process fails to recover some or, all the debt and will need to be considered for write off. The Council views such cases very much as exceptions and this report identifies those debts.

## **2. PERFORMANCE**

### **Summary of collection rates and reductions in arrears**

#### **2.1 Business Rates**

2.1.1 This year has seen similar in-year collection rates and level of arrears as last year. This can be seen as a positive result in the current economic climate.

2.1.2 Whilst normal recovery action was carried out during 2022/23 the following was also put in place to continue to help businesses;

- Working with businesses to be able to offer very flexible payment arrangements. This will continue in 2023/24 in order to help them get back up to date and reduce arrears
- Business Rates payers with businesses in the Retail, Hospitality and Leisure sectors were awarded a 50% Business Rates Discount for the year via funding from central government. For 2023/24 this discount has been increased to 75% for the whole year
- During 2022/23, using funding from central government, the remaining balance of COVID Additional Relief (CARF) scheme was used for some businesses adjudged to have been adversely affected by the COVID pandemic and were outside the Retail Hospitality and Leisure sector. This relief scheme has now awarded £1.74m to businesses
- Through our website pages and communications businesses were also signposted to other help available to them

#### **2.2 Sundry Debts**

2.2.1 The overall arrears for Housing Benefit Overpayments continue to reduce and £131,231 more was collected than raised in 2022/23. The overall debt for Sundry Debt has decreased by £740,002 compared to last year.

#### **2.3 Council Tax**

2.3.1 This year has seen similar in-year collection rates and level of arrears as last year. This can be seen as a positive result in the current economic climate. There has been a decrease in overall arrears of £171,000. The stabilisation of the overall arrears total last year and the modest reduction this year is an important position to be in and in future years we should now see it begin to reduce further. However, it is important to note that due to the scale of the arrears that were accrued during the limited recovery action of 2020/21, it is estimated that it will take a further 2 years before they get back to pre-pandemic levels, as we try to balance achievable payment arrangements, whilst ensuring that the current year is paid in full.

2.3.2 The level of write offs has increased in value from the prior 2 years, largely due to the teams' resources prioritising other work through 2020/21 and 2021/22 where the write off value fell well below what we would normally expect on an annual basis.

2.3.3 Normal recovery action was carried out during 2022/23 and the following was also put in place to continue to help people:

- Promotion of other benefits and financial support (such as Universal Credit, Council Tax support) that people might be entitled to, was communicated to those who received recovery notices, amended bills and benefit notifications
- The offer of very flexible payment arrangements and this will continue in 2023/24 in order to help people get back up to date

- Working closely with debt agencies such as DIAL and Citizens Advice, as well as our Community Hub Team to holistically look at peoples debt position and to engage with hard to reach customers who are finding it difficult to pay
- The Council Tax team were responsible for awarding the £150 Energy Rebate during 2022/23. This was provided to residents in properties in Bands A to D and £6.3m was awarded to 42,129 homes. £185,000 of discretionary payments were also made to 10,879 homes (mainly to those in receipt of Council Tax Support)

2.3.4 We continue to see the number of cases where Debt Relief Orders (DRO's) and Individual Voluntary Arrangements (IVA's) have been agreed increase year on year, causing the debt to be recommended for write off.

In 2022/23 DROs increased to 48 which is a 128% increase from the prior year and is above the national increase of 15.74% and IVAs have increased to 69 however this is more in line with the national increase of 9.5%.

Once a DRO, IVA or Bankruptcy has been determined in relation to a council tax debt, there is no further action the we can take to recover the amounts covered within the determination or agreement other than to write off that debt.

## 2.4 Future Plans and initiatives

In year collection rates and reduction in arrears should continue to improve in 2023/24, however, this is dependent on the state of the economy and how much the current 'cost of living' situation affects people's ability to pay. However, we will continue to balance achievable payment arrangements whilst ensuring that the current year is paid in full and therefore to prevent overall arrears rising.

The main initiatives and improvements to be undertaken to maximise in year collection rates and reduce arrears in 2023/24 are as follows:

- Continue to develop the good work being carried out in working more closely with our own teams and debt agencies such as DIAL and CA to engage with hard to reach customers who are finding it difficult to pay
- Utilise and maximise any government funding to help payers meet their obligations (including awarding of the discretionary Council Tax Support payment)
- To continue to use high level debt enforcement activity where appropriate
- To continue to promote Council Tax Support take up
- To continue to promote take up of other benefits (such as Universal Credit) that people might be entitled to
- To continue to offer very flexible payment arrangements in order to help people be able to meet their 2023/24 obligations and bring arrears back up to date where applicable

2.5 Appendix 1 shows a summary of the Council's three main income streams and the level of debt associated with each and write offs, for the last three financial years.

## 3 RECOMMENDATIONS

Cabinet is asked to note and approve:

- 1) The annual debt report giving details of the Council's write-offs in accordance with the Council's Debt Write-Off Policy and performance in relation to revenues collection.

*Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?*

<b>Consultations</b>	<b>Comment</b>
Monitoring Officer Consultation:	As part of ELT
Section 151 Officer Consultation:	Yes
Existing Council Policies:	As highlighted in report
Equality Issues/EQIA assessment:	

## Appendix 1

### 1. Collection Rates and Arrears Position

Table 1 shows the level of Council Tax and Business Rates outstanding at the year end.

**Table 1**

Income Area	Year/Date	Total Arrears at 31 <sup>st</sup> March 2023 All Years (after write offs)* (£)	Current Years Arrears (after write-offs) ** (£)	% of Current Arrears v Net Debit	Provision for Bad/Doubtful Debt for all years (£)
Council Tax	2020/21	7,113,464	2,864,585	5.3%	2,685,182
	2021/22	7,197,621	2,251,369	3.9%	3,316,850
	2022/23	7,026,267	2,398,336	3.99%	3,364,160

Income Area	Year/Date	Total Arrears at 31 <sup>st</sup> March 2023 All Years (after write offs)* (£)	Current Years Arrears (after write –offs) ** (£)	% of Current Arrears v Net Debit	Provision for Bad/Doubtful Debt for all years (£)
Business Rates	2020/21	2,799,910	1,418,567	9.6 %	659,594
	2021/22	1,875,095	447,307	2%	649,327
	2022/23	1,962,851	645,427	2.3%	660,516

\*This is the cumulative arrears (excludes court costs) for all years including 2022/23

\*\* This is the arrears figure for 2022/23 as at 31/3/2023

Collection of the all arrears is ongoing and for 2022/23 a further £360,000 Council Tax has been collected between April and May against previous year's arrears giving a collection rate of 96.6%.

Collection of the all arrears is ongoing and for 2022/23 a further £112,000 Business Rates has been collected between April and May against previous year's arrears giving a collection rate of 98.2%.

Table 2 shows the level of sundry debt outstanding at the year end and the element of that debt which is attributable to Housing Benefit Overpayments being collected by invoicing customers.

**Table 2**

Income Area	Year	Total Arrears at 31st March 2023 All Years (after write offs) (£)	Net Debit Raised End of Year (£)	% of outstanding arrears against debit at year end (£)	Provision for Bad/Debt for all years (£)
Sundry Income  (includes HB Overpayments)	2020/21	* 5,065,327	13,707,742	37%	505,760
	2021/22	** 4,397,868	14,199,389	31%	418,399
	2021/22	*** 3,657,866	12,941,619	28%	366,515

\* 2020/21 – Housing Benefit Overpayments value = £1,600,928

\*\* 2021/22 – Housing Benefit Overpayments value = £1,513,279

\*\*\* 2022/23 – Housing Benefit Overpayments value = £1,304,912

The overall arrears for Housing Benefit Overpayments reduced by £208,367 and £131,231 more was collected than raised in 2022/23.

The overall debt for Sundry Debt has decreased by £740,002. Of the total arrears £325,191 was only raised in February and March.

Table 3 shows the Aged Debt Analysis for Sundry Debt (Not including Housing Benefit Overpayments).

**Table 3**

Age of Debt	Amount £
0 to 90 days old	383,966
90 to 183 days old	230,151
181 to 365 days old	394,839
Over 1 year old	2,648,910

Table 4 shows the Aged Debt Analysis for Housing Benefit Overpayments.

**Table 4**

Age of Debt	Amount £
0 to 90 days old	9,198
90 to 180 days old	10,284
181 to 365 days old	27,896
Over 1 year old	1,257,534

Table 5 shows the total value raised for each revenue area and the total value of arrears as at the end of each of the last three financial years.

**Table 5**

Income Area	Year/Date	Net Collectable Debit (£)	Number of Accounts	Average Amount per Account (after adjustments) (£)	Total of all Years Arrears (£)
Council Tax	2020/21	53,499,782	48,631	1,099	7,113,464
	2021/22	57,137,362	48,959	1,167	7,197,621
	2022/23	60,054,836	49,339	1,217	7,026,267
Business Rates	2020/21*	14,641,927	5,327	2,748	2,799,910
	2021/22*	22,650,454	5,315	4,261	1,875,095
	2022/23	28,430,158	5,464	5,203	1,962,851
* The net collectable debit was reduced during 2020/21 and 2021/22 by the reliefs the government put in place to help businesses affected by lockdown. Local authorities were fully compensated for these reliefs by central government					
Sundry Income	2020/21	13,707,742	6,285	2,181	5,065,325
	2021/22	14,199,389	4,092	3,470	4,397,868
	2022/23	12,941,619	6,216	2,082	3,657,866

Table 6 shows the in-year collection rates for Council Tax and Business Rates over the last three financial years

**Table 6**

Income Area	2020/21	2021/23	2022/23	Target 2022/23
Council Tax	94.6%	96%	96%	96%
Business Rates	90.3%	98%	97.8%	97.5%

Table 7 shows the current overall collection rates for Council Tax and Business Rates since 2015, which shows that collection rates are actively being collected and recovery of debt is ongoing. This demonstrates the ongoing collection and reduction of debt within the respective billing year.

**Table 7**

Year	Council Tax % (at 31 March 2023)	£ of debt outstanding	Business Rates % (at 31 March 2023)	£ of debt outstanding
2015/16	98.9%	100,499	98.9%	44,705
2016/17	98.8%	169,696	98.9%	35,121
2017/18	98.5%	387,857	98.8%	123,438
2018/19	98.2%	686,200	98.7%	225,324
2019/20	98.0%	995,839	98.7%	305,153
2020/21	97.5%	1,345,069	98%	230,270
2021/22	97.7%	1,359,332	98.6%	283,990

## 2. Write-Offs

Table 8 shows in summary the amounts of debts that have been written off over the last three years.

**Table 8**

Income Area	2020/21 (£)	2021/22 (£)	2022/23 (£)
Council Tax	81,218	284,816	912,907
Business Rates	246,837	86,288	209,164
Sundry Income (includes Housing Benefit write-offs)	6,623	153,414	153,831
Housing Benefit element of Sundry Income Write Offs shown above	1,425	62,566	58,204

Table 9 details the category of debts that have been written off over the year 2022/23 for all years.

**Table 9**

Category	Council Tax (£)	Business Rates (£)	Sundry Income (£)
Unable to collect	577,830	30,991	13,851
Uneconomic/ bailiff unable to collect			
Debtor deceased	28,632	6,251	28,449
Debtor absconded	132,938	10,975	4,560



Debtor in bankruptcy or liquidation or other Insolvency proceedings	217,430	224,914	72,979
Undue hardship	10,331		38,804
Write off write back	-54,254	-63,967	-4,812
Totals	912,907	209,164	153,831

Table 10 shows the breakdown of Sundry Debt written off (Excluding Housing Benefit Overpayments) into types of Invoice.

**Table 10**

<b>Debt type</b>	<b>£ as at 31<sup>st</sup> March 2023</b>
General/Misc	15,297
Property	36,470
HRA	3,487
Yare Care	152
Housing & Neighbourhoods (Homeless)	28,820
Environment	11,154
Tourism	247

Table 11 details the amounts above that have been written off for Council Tax and Business Rates over the respective financial years during 2022/23.

**Table 11**

<b>Year</b>	<b>Council Tax (£)</b>	<b>Business Rates (£)</b>
Pre 2012	42,857	517
2012	24,995	-3,569
2013	44,546	-2,903
2014	61,796	799
2015	94,330	-1,493
2016	129,719	20,901
2017	158,812	6,725
2018	164,591	15,640
2019	66,100	67,578
2020	39,769	68,689

2021	41,630	31,381
2022	43,762	4,899
<b>Total</b>	912,907	209,164

The level of write offs has increased in value from last year in Council Tax. The main reason for this is due to the extra work within the Revenues Team during 2020/21 and 2021/22 due to actioning government COVID initiatives, write offs were not a priority area of work and therefore were lower than normal.

In 2022/23 the team focused on reviewing and selecting council tax arrears cases to be recommended for write off which resulted in the increase in value. Pre Covid, in 2019 the value of write offs was £452k which is more like the level of write off value we would expect annually.

It is also worth noting the value of write offs incorporates debts going back to pre-2012 as detailed in the table above.