

Report to: **Audit Committee**
Date: **15 March 2022**
Title: **Sundry Debt**
Portfolio Area: **Performance & Resources – Cllr C Edmonds**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: N/A

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Recommendation:

That the Audit Committee note the position in relation to Sundry Debt

1. Executive summary

- 1.1 The Council is responsible for the collection of: Sundry Debts, Housing Benefit Overpayments, Council Tax and National Non-Domestic Rates (NNDR).
- 1.2 This report provides Members with an update of the position of Sundry Debt and Housing Benefits Overpayments up to 31 January 2022.

2. Background

- 2.1 The Council's management arrangements underpin delivery of all the Council's priorities, including the commitment to providing value for money services. Incorporated within this, is the timely collection of monies due to the Council. Debts are recovered in accordance with the Council's Recovery Policy as published on our website.

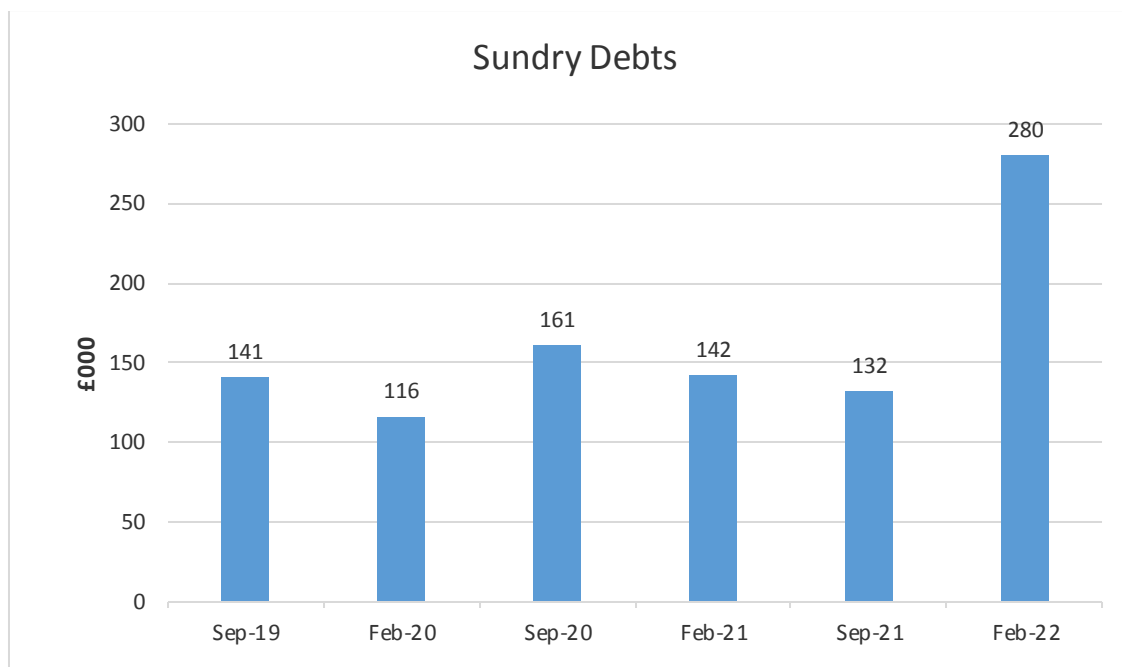
- 2.2 Following the centralisation of debt recovery into one service from October 2017 and the implementation of the Debt Recovery Action Plan, Members requested a series of updates to demonstrate robust control of debt recovery procedures, particularly relating to sundry debt.
- 2.3 The implementation of a comprehensive action plan has resulted in robust recovery procedures. This report outlines the latest positions in collection relating to Sundry Debt and Housing Benefit Overpayments by providing data that demonstrates the progress made.

3. Outcomes/outputs

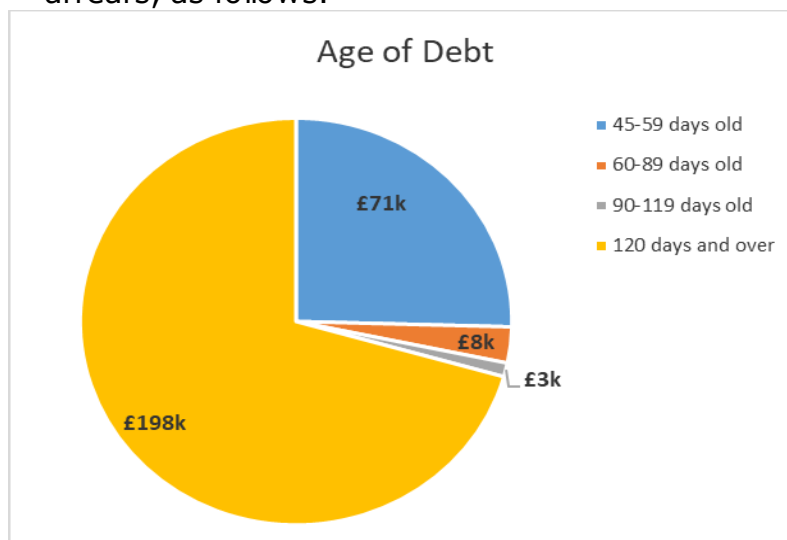
- 3.1 The arrears covered in this report are split into three categories as follows:
 - a. Sundry Debts
 - b. Housing Benefit Overpayment Recoveries from those still in receipt of Housing Benefit
 - c. Housing Benefit Overpayment Recoveries from those no longer in receipt of Housing Benefit
- 3.2 All Council sundry debts are actively pursued, and in most instances are collected with little difficulty. In cases where payment is not received on time, a series of reminders are issued promptly to the debtor. If this fails to secure payment, recovery is pursued through the courts.
- 3.3 The Council took the decision to pause the chasing of Sundry Debts at the start of the pandemic but this process has now resumed and reminder letters are being sent out.

Sundry Debts

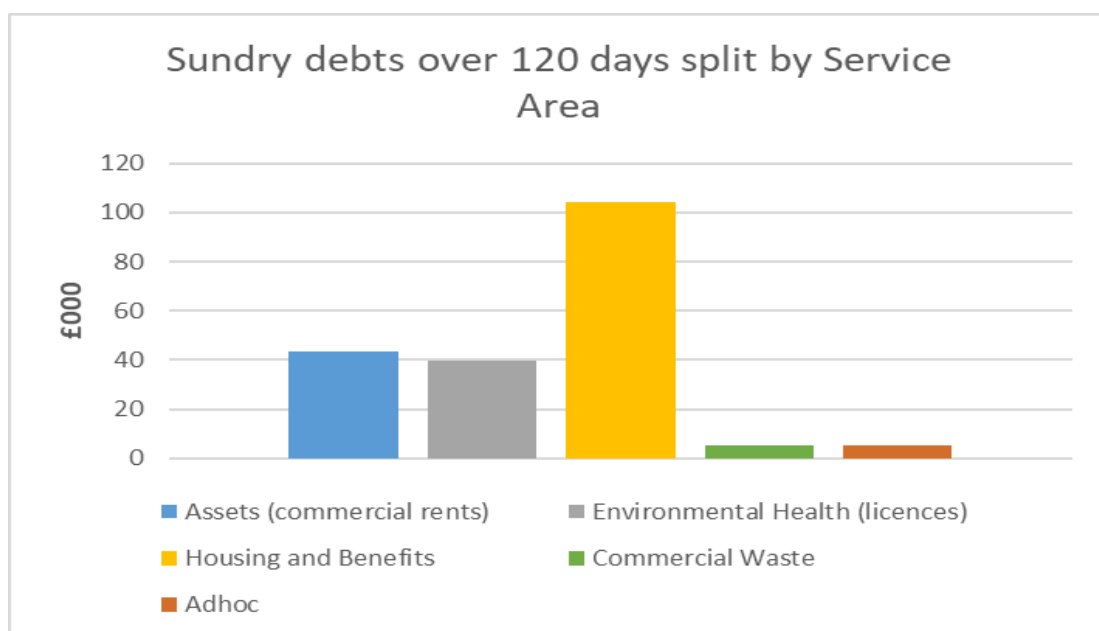
- 3.4 The balance of arrears for Sundry Debts over recent years is summarised below. The balance has increased from £132k in September 2021 to £280k in February 2022. This increase includes two large debts (totalling £82k) where repayment plans are in place and two further large debts (totalling £67k) which the customers have agreed to pay in full during March. Whilst the graph below shows the level of debt has more than doubled, this is just a timing issue and the information represents a snapshot in time of the debtor's position. Sundry Debts consist of Estates Management, Licencing and Housing. This excludes car parking fines which are included on a different system.



- 3.5 This balance of £280k can be further broken down by age category to give a clearer picture of the nature of Sundry Debt arrears, as follows.



- 3.6 The current balance for Sundry Debts of £280k includes seven high value debtors (in excess of £10k). One invoice relates to rental income from a tenant in one of the Council's let units, who was suffering financial difficulties prior to Covid and their financial position is still suffering. A payment plan has been set up and the debt will reduce over the coming months. Another invoice is for outstanding rent and a payment plan has been set up to gradually clear the debt. The tenant is no longer occupying the property therefore the debt will not rise any further. Agreement has been reached to settle a third invoice in the coming weeks. Three of the other invoices have been sent final notice letters and one other has been passed to the recovery team.
- 3.7 Sundry debts over 120 days total £198k and can be further analysed by service area below. It can be seen that just over £104k relates to Housing and Benefits which are notoriously difficult debts to recover. This makes up 53% of the total debt in this age category. Just under £40k relates to Environmental Health invoices. The majority of these are licences and therefore low value, high volume. Licensing invoices were not being chased during the pandemic and customers who had already paid are were offered refunds under the Council's Additional Restrictions Grant (ARG) Business Grant scheme. This scheme has now finished and all outstanding licensing invoices are being actively pursued.
- 3.8 Just over £43k relates to commercial rents and slow recovery is expected in the current financial climate. The Assets team are working closely with tenants to work out a payment plan to recover these debts.

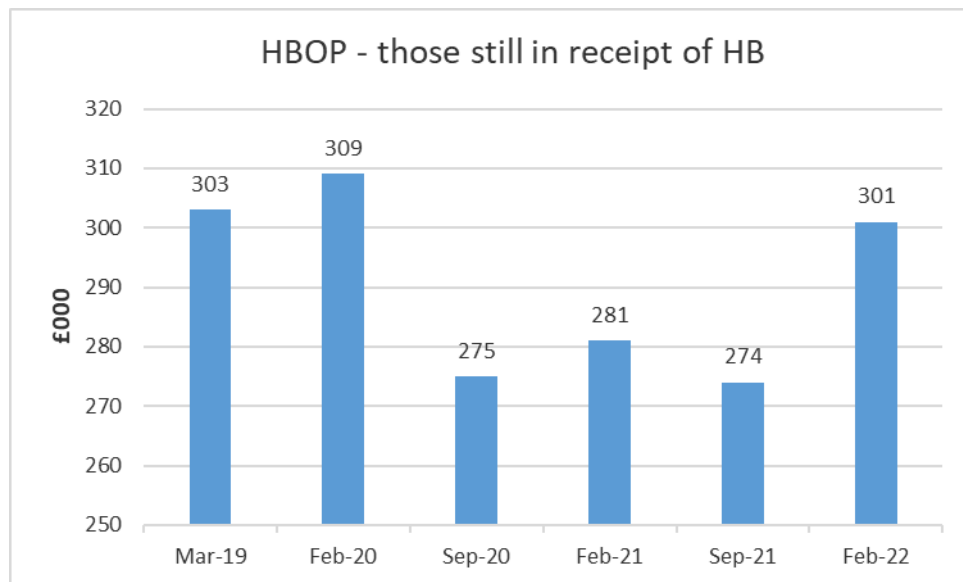


Sundry debt written off

- 3.9 Sundry debts totalling £6.60k have been written off in the first six months of 2021/22 due to their age and likelihood of being recovered. No further debts have been written off in the second half of 2021/22 to date.

Housing Benefit Overpayment Recoveries from those still in receipt of Housing Benefit

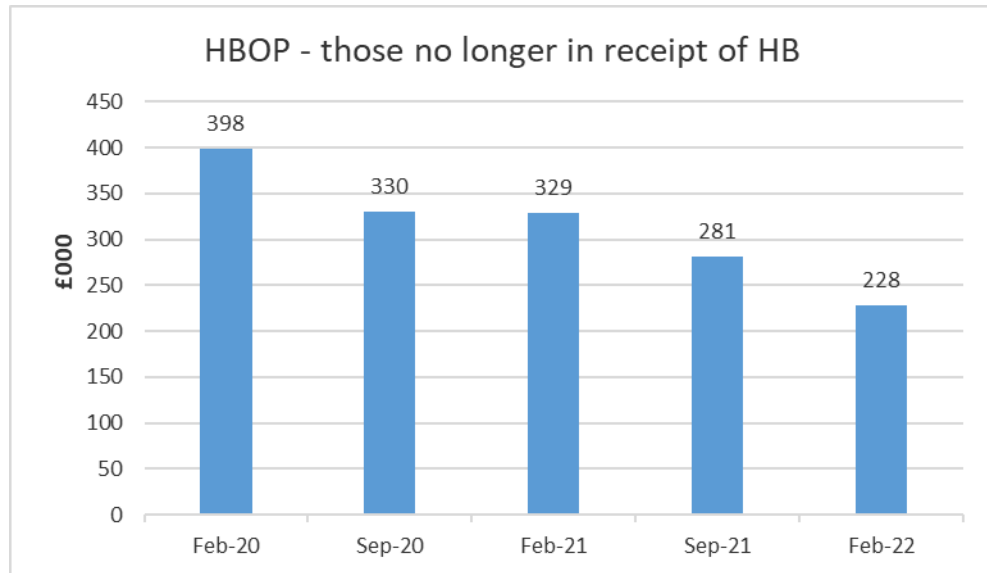
- 3.10 The balance of arrears for Housing Benefit Overpayment Recoveries from those still in receipt of Housing Benefit is £301k as at 31st January 2022, an increase on the balance of £274k as at 30th September 2021. The balance over time can be seen on the chart below.



- 3.11 Recovery action was paused following the initial lockdown in March 2020 but this process is now back up and running. The Case Management team make every effort to identify overpayments promptly and so begin the recovery process whilst amounts are still relatively low. By recovering these debts whilst people are still in receipt of Housing Benefit, the ease of recovery is greater, as is the likelihood of full recovery.

Housing Benefit Overpayment Recoveries from those no longer in receipt of Housing Benefit

- 3.12 The balance of arrears for Housing Benefit Overpayment Recoveries from those no longer in receipt of Housing Benefit is £228k as at 31st January 2022, a decrease on the balance of £281k as at 30th September 2021. The balance overtime can be seen on the chart below.

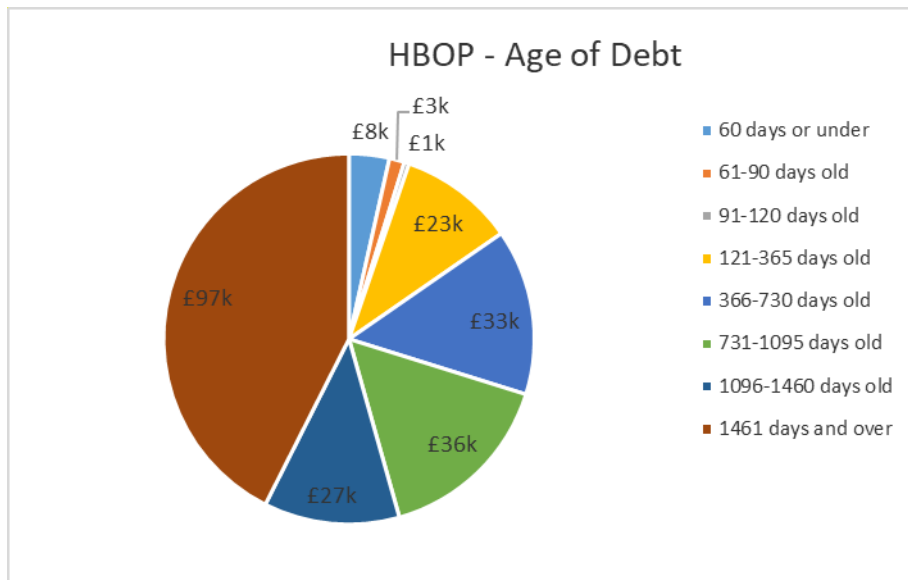


- 3.13 The amount outstanding is continuously monitored and well managed for both categories of Housing Benefit Overpayment Recoveries. A downwards trend is expected as members of the public move increasingly from the Housing Benefit system over to the Universal Credit system.
- 3.14 The effect of this will be that less Housing Benefit will be administered by the Authority and so the amount that is overpaid will also reduce.

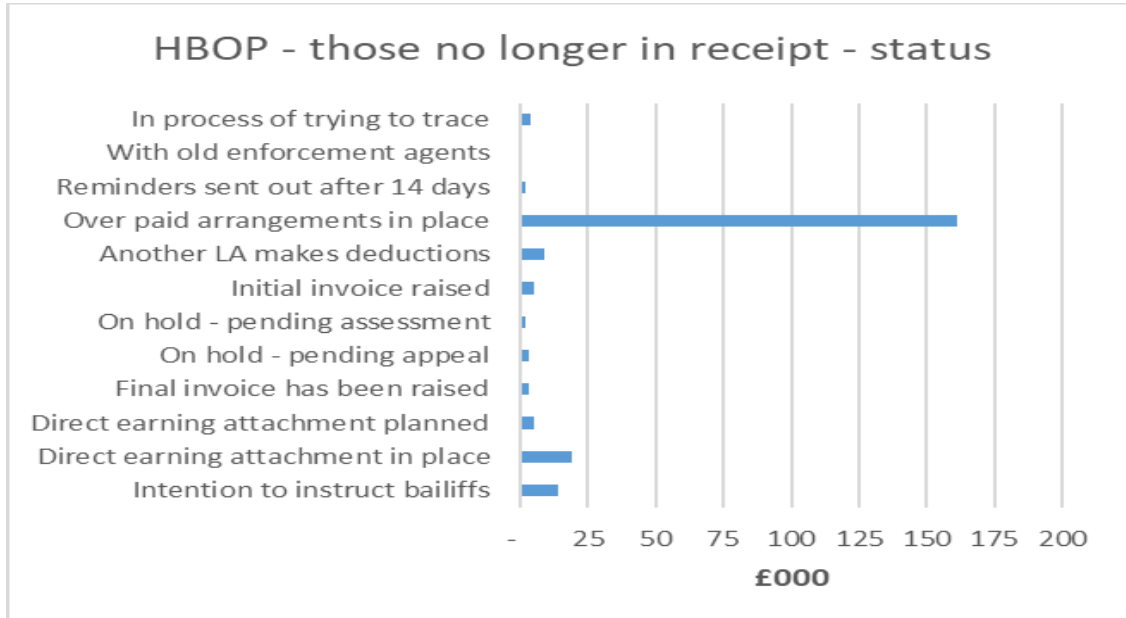
Housing Benefit write offs

- 3.15 Since 1st April 2021, just over £40,800 of this debt has been written off.

3.16 The balance of £228k can be further broken down by age category to give a clearer picture of the nature of these arrears, as follows.



3.17 Of this balance, £161k relates to debt where over paid arrangements are in place which makes up 71% of this age category. A full picture showing the status of this debt can be seen below.



4. Options available and consideration of risk

4.1 The Business Manager for Case Management is keen to continue to focus on debt recover and it is anticipated that every effort will be made to recover monies owed to the Council promptly. Where this isn't possible, the debt recovery procedures will be followed and overdue debts will be duly followed up.

5. Proposed way forward

5.1 The Committee note the content of this report and continue half yearly reporting.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The guidelines for Statutory Interest Charging and adding recovery costs falls under the European Directive 2011/7/EU on Combating Late Payment in Commercial Transactions. Enforcing successful legal action for recovery of debt is dependent upon a robust system of ensuring correct business names are recorded within our systems.
Financial implications to include reference to value for money	Y	Improved income collection, resulting in less impact of uncollectable debt on the Income and Expenditure Account, due to fewer write offs.
Risk	Y	There remains a risk of income not being collected. The Debt Recovery Plan alongside the Debt Recovery Policy seeks to minimise this. Risk to reputation is managed carefully by prompt recovery of amounts due wherever possible. This risk is also mitigated by taking a balanced view and ensuring that resources are not expended on debts which are not cost effective to pursue and these are written off in accordance with the Council's Write Off Policy
Supporting Corporate Strategy		The debt recovery process supports all of the Thematic Delivery Plans outlined in 'A Plan for West Devon'.
Climate Change - Carbon / Biodiversity Impact		None directly arising from this report.

Consultation and Engagement Strategy		External consultation and engagement has not been undertaken with regard to this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	All enforcement action that is taken prior to this point is undertaken in accordance with legislation and accepted procedures to ensure no discrimination takes place.
Safeguarding	N	N/A
Community Safety, Crime and Disorder	N	N/A
Health, Safety and Wellbeing	N	N/A
Other implications	N	None

Supporting Information

Appendices:

None

Background Papers:

None

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed/sign off	Yes
SLT Rep briefed/sign off	Yes
Relevant Heads of Practice sign off (draft)	Yes
Data protection issues considered	Yes
Accessibility checked	N/A