

Report to:	Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services)	Date of Meeting:	Tuesday 13 June 2023
Subject:	Debt Management		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

The report provides the Overview and Scrutiny Committee with details of steps taken to manage uncollected debt owed to the Council.

The Overview and Scrutiny Committee is also asked to note that it is proposed that the Audit and Governance Committee will be asked to recommence considering write-offs of bad debt over £10,000, with the S151 Officer and Monitoring Officer reviewing requests under £10,000.

In addition, an update has been produced for the Overview and Scrutiny Committee providing performance information relating to the Council's contracted Enforcement Agents.

Finally, a copy of the Council's Corporate Debt Policy is provided for the Committee's information.

Recommendation(s):

That the Overview and Scrutiny Committee:

- (1) Notes the contents of this report.
- (2) Notes that it is proposed that the Council's Audit and Governance Committee be asked to recommence reviewing requests to write-off bad debts over £10,000, with the S151 Officer and Monitoring Officer reviewing requests under £10,000.

- (3) Notes the information detailing the performance of the Council's contracted Enforcement Agents up to 31st March 2023 at section 6.14 below.
- (4) Notes the Corporate Debt Policy as outlined in section 2 of this briefing note and attached at Appendix 1.

Reasons for the Recommendation(s):

- (1) The report summarises actions taken to collect and enforce debt, and the risks in managing the Council's debt position. It also sets out debt levels compared to the wider context of local taxation collection, enforcement, and policies.
- (2) The Council's Schemes of Financial Delegations set out that the Audit and Governance Committee must consider and approve write-off of bad debts over £10,000 with the S151 Officer and the Monitoring Officer approving the write-off of debts under £10,000. There have been no requests to consider bad-debt write-offs since March 2021 due to the reasons set out at paragraphs 1.4 and 1.5 below. It is proposed that a regular schedule of bad debt identified for write-off recommences for Audit and Governance and S151 Officer / Monitoring Officer review.
- (3) It is considered good practise that performance information for the Council's contracted Enforcement Agents be formally reported. It is therefore recommended that such information is provided to the Council's Overview and Scrutiny Committee on an annual basis.
- (4) The Corporate Debt Policy was last reviewed and updated in 2020. While the policy remains relatively unchanged the updated version, recently approved by the Cabinet Member for Regulatory, Compliance and Corporate Services, reflects current terminology, and updates links to useful resources and information for residents and stakeholders seeking assistance with debt.

Alternative Options Considered and Rejected: (including any Risk Implications)

None

What will it cost and how will it be financed?

(A) Revenue Costs

Not Applicable

(B) Capital Costs

Not Applicable

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):
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None								
Legal Implications:								
None								
Equality Implications:								
There are no equality implications.								
Impact on Cared for Children and Care Experienced Young People: Yes								
In the context of debt collection and enforcement the Council's policies require staff to take account of any resident considered to be vulnerable. This is not necessarily restricted to the liable tax payer but may include the circumstances of a child within the care of a resident, or of a young person who has left care and is now responsible for managing their own affairs.								
Climate Emergency Implications:								
The recommendations within this report will								
<table border="1"> <tr> <td>Have a positive impact</td> <td>No</td> </tr> <tr> <td>Have a neutral impact</td> <td>Yes</td> </tr> <tr> <td>Have a negative impact</td> <td>No</td> </tr> <tr> <td>The Author has undertaken the Climate Emergency training for report authors</td> <td>Yes</td> </tr> </table>	Have a positive impact	No	Have a neutral impact	Yes	Have a negative impact	No	The Author has undertaken the Climate Emergency training for report authors	Yes
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Have a neutral impact	Yes							
Have a negative impact	No							
The Author has undertaken the Climate Emergency training for report authors	Yes							
This report provides background information only.								

Contribution to the Council's Core Purpose:

Protect the most vulnerable: The Corporate Debt Policy seeks to ensure that fair processes are followed where a resident in debt is considered to be vulnerable and to provide that person with additional support.
Facilitate confident and resilient communities:
Not applicable
Commission, broker and provide core services:
Not applicable
Place – leadership and influencer:
Not applicable
Drivers of change and reform:
Not applicable
Facilitate sustainable economic prosperity:
Not applicable

Greater income for social investment:
Not applicable
Cleaner Greener
Not applicable.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.7256/23) and the Chief Legal and Democratic Officer (LD.5456/23) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee / Council meeting.

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Appendices:

Appendix 1 – Corporate Debt Policy – Revised May 2023

Background Papers:

None

1. Introduction/Background

- 1.1 Sefton Council raises a significant proportion of its total income through local taxes and charges and has a duty to recover sums outstanding. At a time of significant financial pressure for the Council, income collection is particularly important to ensure that valuable frontline services continue.
- 1.2 The management of this income is a key business area for the Council. This income comes from many streams, for example Council Tax and Business Rates. Some of the activity is governed by legislation whilst others by sound principles of financial management. The majority of people and businesses in Sefton pay the Council on time. However, all Council service areas have to deal with people and businesses that get into arrears. For many it is simply an oversight. For others

living on very low incomes, or where business owners are struggling in the current economic climate, keeping up with payments can present real difficulties.

- 1.3 This report seeks to provide insight into the debt position and the risks associated with it.
- 1.4 A Debt Working Group was formed in 2019, led by the Executive Director of Corporate Resources and Customer Services consisting of key staff from the legal, financial management and revenues teams. The aim of the group was to scrutinise all aspects of the Council's policy and operational procedures in relation to debt management to identify improvements to working practices to enhance debt recovery.
- 1.5 The work of the Group was curtailed during the 2020-2022 period due to the need to prioritise tasks associated with supporting residents and businesses through the COVID-19 pandemic. Whilst some debt collection activity continued during the period of the pandemic, enforcement activity was significantly disrupted due to the Magistrates Court being unavailable for a time for obtaining liability orders, and enforcement agents restricted from home visiting. For these reasons, it was not considered appropriate to continue with a business-as-usual programme of writing off bad debt. Although some bad debts were submitted to the March 2021 Audit and Governance for write-off approval, restrictions in place meant that it was not possible to exhaust all collection and enforcement options as outlined below at 4.4. For these reasons, there is now a backlog of bad debt identified for submission for write-off.

2. Corporate Debt Policy

- 2.1 The objectives of this Policy are cost effective income collection and recovery that is sensitive to the needs of people and businesses in our community.
- 2.2 Importantly, this Policy details the practical help, advice and support available that will enable those who are in debt to help themselves and become debt free sooner and help maintain the Council's cash flow.
- 2.3 This Policy is shared with the Council's partners (for example, Southport Business Improvement District, Citizens Advice Sefton, Sefton CVS, One Vision Housing) and its debt enforcement agents.
- 2.4 This Policy does not prejudice any legal action that the Council may wish to take.
- 2.5 The Policy is regularly reviewed but also updated as and when legislative, technical or process changes need to be reflected within the Policy. However, with the impact of the COVID-19 pandemic arising during the last scheduled review the policy has not been updated since 2020.
- 2.6 The Policy has now been reviewed and is still considered to be up to date in terms of legislation and process. However, since the last review some terminology has been updated and more importantly the Council's web pages have been significantly amended. Consequently, links to online resources contained within the Policy were found to be out of date and have been replaced with the current links. These links are important for residents and stakeholders to be able to easily

access the help they require.

3.0 Annual Charges Raised

3.1 An important factor in understanding the Council's debt position is the amount of potential revenue the Council has to raise. The revenues fall into the following categories:-

- Local taxation i.e., Council Tax (CTAX) and Business Rates (NNDR).
- Charges for Services raised (Sundry Debt) e.g., for Care packages.
- Reclaims of overpaid housing benefit payments (HBOP). These are debts where an invoice has been raised for repayment. However, with the move to Universal Credit the number and value of these is reducing.
- Southport Business Improvement District (BID) levy. Although this is income collected on behalf of the BID, the Council has an obligation to manage the debt.

3.2 The table below summarises the total value of charges raised in the three years between 1 April 2020 and 31 March 2023. The figures for Sundry Debt include any amounts raised for reclaiming HBOP.

Revenue	2020-21	2021-22	2022-23	Total
CTAX	£ 165,847,964	£ 178,923,322	£ 186,971,766	£ 531,743,052
NNDR	£ 32,245,771	£ 56,475,049	£ 69,655,432	£ 158,376,252
Sundry Debt	£ 60,832,577	£ 64,832,026	£ 80,705,602	£ 206,370,205
Totals	£ 258,926,312	£ 300,230,397	£ 337,332,800	£ 896,489,508

The amount of Business Rates raised in 2020/21 and 2021/22 was reduced due to additional support provided by the Government to ease the impact of the COVID-19 pandemic. The amount raised in 2022/23 is more typical of the expected annual charges raised.

4.0 Current Arrears Outstanding

4.1 For the purposes of this report a distinction is made between arrears and bad debt. Arrears outstanding are the amounts that have been raised but remain due to be paid, while bad debt are amounts that are difficult to collect and will be or likely to be considered for write off as uncollectable. Bad debt is dealt with in sections 6 and 7 below.

4.2 There may be a number of reasons why arrears are outstanding but, in most cases, efforts continue to be made to collect or enforce an outstanding amount due. The debtor may have an agreed payment schedule in place but the amounts due would still be considered to be arrears outstanding.

4.3 The table below indicates to the levels of arrears outstanding as at 31 March 2023.

Revenue	2022-23	2021-22	All Previous Years	Total
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CTAX	£ 10,443,904	£ 6,736,000	£ 24,426,387	£ 41,606,292
NNDR	£ 1,547,434	£ 1,411,825	£ 3,192,353	£ 6,151,612
HBOP	£ 268,163	£ 239,022	£ 1,430,457	£ 1,937,643
Sundry Debt	£ 5,007,092	£ 4,186,089	£ 6,282,504	£ 15,475,685
Totals	£ 17,266,593	£ 12,572,937	£ 35,331,701	£ 65,171,232

Excluded from the table above will be charges raised towards the end of the 2022/23 year, but which may not have been due to be paid until April 2023, even though they are deemed as arrears as they are amounts due in respect of a previous year. Where amounts outstanding have identifiable payment dates after 1 April 2023, they have been excluded from the figures shown.

4.4 There are a variety of options for collecting or enforcing an amount due if not paid. These will vary according to the debt type and to the debtors' individual circumstances but include:-

- Bill / Invoice sent.
- Reminder sent.
- Final Notice sent.
- Summons sent.
- Liability Order granted at Magistrates Court for Council Tax and NNDR.
- Wherever possible Attachment of Earnings or an Attachment of Benefit is set up for Council Tax.
- Telephone debt chasing to make arrangements to pay.
- Home visits are made to make arrangements to pay, where it is considered that the debtor needs additional support.
- 14 Day Warning Letter / Letter before action sent.
- Cases referred to Enforcement Agents / Debt Collectors.
- Charging Orders and Land Charges raised against the property if appropriate.
- Statutory Demands issued for Bankruptcy proceedings.
- Cases where all available methods of enforcement have been exhausted are being returned to an enforcement agent for a further attempt to trace a new address and provide a propensity to pay score. Those with a reported high or medium propensity to pay undergo a final attempt to enforce the debt before consideration for write off.
- Complex and high value cases are referred to the Legal Department.
- If a person or business is having difficulty making the payment, special arrangements are used to effect recovery, and this may mean extending the period to collect the debt. Only when all options have been explored would a debt be considered for write off.

4.5 In cases where a debtor is considered vulnerable the debt will be entered into a separate process managed and monitored by a welfare advisor. If appropriate, cases will also be referred to specialist debt advice agencies such as Sefton Citizens Advice.

4.6 In a small number of cases debtors will be held in Breathing Space, a statutory holding period for people in debt to obtain specialist advice.

4.7 Data regarding arrears of Council Tax and NNDR are included on a Government

Return at the end of each financial year. The data shows that the Council's outstanding debt position is similar to other local authorities in the Liverpool City Region.

5.0 Council Tax and Business Rates Collection Performance

- 5.1 The Council seeks to limit the level of debt by implementing procedures to maximise collections.
- 5.2 The Government publishes collection performance for Council Tax, and NNDR for all councils by the end of June each year. Sefton Council's performance compares favourably when compared to both other metropolitan authorities and neighbouring authorities in the Liverpool City Region.

6.0 Bad Debt for Write Off

- 6.1 The operational teams will explore all available options for enforcing a debt as outlined in 4.4 above. However, when all potential avenues have been exhausted then a case may be submitted for consideration for write off.
- 6.2 When a case has been identified it will undergo further scrutiny by a manager with responsibility for that area e.g., Council Tax, to ensure all efforts to collect have been exhausted. Debts with a value in excess of £10,000 will then be further reviewed by a more senior manager.
- 6.3 Debts that are still considered to require writing off will be added to a report for formal consideration for write off. Debts of £10,000 or more will be reported to the next available Audit and Governance Committee, debts below that value will be considered by the Executive Director for Corporate Resources and Customer Services via a Chief Officer report.
- 6.4 A final review of cases submitted for write off is undertaken by the Legal team prior to the reports being considered.
- 6.5 Outstanding debts that have been identified for write off still require managing within the operational workloads. This risks having a negative impact on the workload aimed at collecting debts that may still be settled. It is, therefore, important to establish a regular programme of bad debt for write off to ensure that uncollectable debt is managed as efficiently as collectable debt.
- 6.6 A backlog of bad debt that will potentially require write-off has accrued for the reasons set out in paragraph 1.5 above. Consequently, for the period ending 31 March 2023, the Council has identified a significant amount of debt for potential write-off, it should however be noted that the level is less than 1% of the collectible liability as set out in the table at paragraph 3.2 above.
- 6.7 A large proportion of debt that is submitted for write off occurs when the debtor absconds leaving no forwarding address. Whilst efforts are made to trace debtors, if a new address has not been found, the case is suspended for six months before a further attempt is made.

There is a large number of cases that fall into this category, that have previously

been marked as requiring write off, and where further scrutiny has not taken place during the period since the COVID-19 pandemic. To bring this work backlog up to date, the Council is exploring options with its contracted Enforcement Agents to run all cases through their tracing process before including them on a write off report.

- 6.8 Whenever an amount is written off it is possible that further sums may be recovered in the future as new information is obtained. This would happen in the following instances: -
- Where a new address is found for an absconded debtor, attempts will be made to recover any outstanding sums.
 - New information may become known that indicates it is now feasible to collect a debt that had previously been deemed uncollectable for example, a large outstanding debt for a taxpayer suffering extreme financial hardship, and in receipt of benefits, may have entered employment.
 - Whenever a firm or individual goes into bankruptcy, liquidation or receivership, the Council's interest is registered with the Receiver or Liquidator and the receiver may pay a dividend to creditors.
 - Companies that have ceased trading but have not entered into insolvency may restart their business.

6.9 Enforcement Agent Performance

The Council has contracts in place with Enforcement Agents who also undertake debt collection work on Sundry Debt and Housing Benefit Overpayments. The agents' performance is monitored by the operational teams but has not been regularly reported. It is intended that Enforcement Agent performance is reported as part of an annual outturn report.

- 6.10 There are multiple debt types that are referred to the agents for collection and performance is monitored monthly. Regular performance monitoring meetings are held with each contracted supplier and relative performance is shared with all suppliers.
- 6.11 Operationally different debts are referred to as debt schemes, and the actions taken will differ. For example, debt outstanding from current Council Tax Reduction claimants has agreed limits on the actions that Enforcement Agents are allowed to take to obtain payment and will be given additional time in which to pay. These cases are referred only as a last resort. The priority will be to attempt collection via an Attachment to Benefits or Earnings, or to negotiate a payment arrangement. A referral to the Enforcement Agent is only made when all other avenues have not been possible.

The different debt schemes are identified as follows:-

- CTAX and NNDR 1st Phase – These are cases that have been referred to an agent having failed to pay or enter an arrangement after being summonsed to Court.
- CTAX and NNDR 2nd Phase – These are debts that the Enforcement Agent has failed to collect. They will be re-allocated to a separate agent to undertake further attempts at collection. Costs cannot be

incurred twice in these cases but are more difficult to collect.

- CTRS – these are debts where the Council Tax Reduction claimant has failed to pay following a summons. Attempts to enforce payment are limited and agents would not be allowed to enforce debt via more traditional 'bailiff' doorstep activity.
- Sundry Debt, HBOP and CTAX Debt. These are dealt with as debt collection activities and do not allow for removal of goods in any circumstances. CTAX debt in these cases are very small debts that would otherwise incur additional costs to a value of more than the debt outstanding.

6.12 All contracted Enforcement Agents are required to implement robust policies and procedures for the identification and sensitive handling of vulnerable debtors. All contracted firms have dedicated welfare teams or advisors that vulnerable clients are referred to in the first instance to provide immediate support and/or signposting to specialist advice.

6.13 For the period 1 April 2019 to 31 March 2023 the contracts for Enforcement Agents and Debt collection were awarded to:-

- Jacobs Enforcement Agents
- Marstons Holdings plc
- Newlyn plc
- Equita plc

6.14 During the lifetime of the contract the activities of the agents were curtailed by the COVID-19 pandemic and restrictions placed upon them by the Government during that period. However, the collection performance during the lifetime of the contract is summarised in the table below.

Debt Type	Number of Cases Referred	Value of Collectable Debt £	Debt Collected £	% Collected	Agreed Payment Arrangements Ongoing £
Council Tax	44,490	24,265,474.63	8,239,592.75	33.96	1,023,699.86
CTAX CTR Claimants	934	289,589.37	37,555.45	12.97	6,101.65
Business Rates	2,170	5,428,299.96	1,339,733.42	24.68	222,785.59
Total	47,594	29,983,363.96	9,616,881.62	32.07	1,252,587.10
* Total Debt Collection	8,909	4,373,555.82	456,264.75	10.43	48,301.93

* Total Debt collection refers to Sundry Debt, HBOP debt and small Council Tax balances

6.15 Agents are also monitored on the actions they take to collect debt to ensure they comply with legislation, the code of conduct of their governing body CIVEA, and the Council's own code of conduct. In the event of any complaints the details are discussed with the appropriate agent and remedial actions agreed. During the four year period of the last contract the Council referred 47,594 cases and received 9 complaints, of which one complaint was upheld and one complaint was partially upheld.

6.16 New contracts are now in place with effect from 1 April 2023 following a procurement exercise completed in January 2023.

Enforcement Agent contracts for the collection of Council Tax and Business Rates were awarded to:-

- Jacobs
- Marstons
- Bristow and Sutor

Debt Collection contracts were awarded to:-

- Jacobs
- Bristow and Sutor
- Rundles

Contracts are for three years with an optional one-year extension subject to performance. Regular performance monitoring meetings will take place at least quarterly. Performance will be reported to members annually.

7.0 Bad Debt Provisions

7.1 Like all local authorities, Sefton Council maintains provisions for bad debts for the four main areas of debt. These are re-evaluated at the end of each financial year to take account of the amounts collected in the year, new debt raised in the year, changes in economic conditions, etc.

The Bad Debt Provisions for 2022/23 are being finalised as part of the closedown process. The provisions will be more substantial than would otherwise be the case due to minimal amounts of debt being written off since the COVID-19 pandemic.

8.0 Future Service Enhancements

8.1 Service provision is maintained under constant review to ensure current processes are robust or to identify new software capabilities to improve efficiency and improve the Council's collection capabilities.

8.2 Plans for 2023/24 include:-

- Implementation of a Citizen Access module for Council Tax and NNDR payers. This will enable residents to manage accounts online by direct integration of online forms, a portal to view their bills online and apply for discounts. The module will also open up opportunities for use of SMS messaging and e-billing.
- Introduction of Direct Debit as a method of payment for regular Sundry Debt charges.
- Enhancements to the NEC Revenues and Benefits Software to enable better management of debts on negotiated payment arrangements and managing the enforcement workflow.