



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 27TH JANUARY 2022
Report Number	AGENDA ITEM 8
Subject	AGED DEBTOR ANALYSIS
Wards affected	N/A
Accountable member	Cllr Mike Every, Cabinet Member for Finance Email: mike.every@cotswold.gov.uk
Accountable officer	Michelle Burge, Chief Accountant Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	To receive and consider the Council's Aged Debt Analysis
Annexes	Annex A – Sundry Debtor Aged Debt Profile (5 Years) Annex B – Sundry Debtor Aged Debt Profile by Service (13 January 2022) Annex C – Write off Policy Annex D – Revenues and Benefits Write off Policy
Recommendation(s)	<i>The Audit Committee are asked to consider with appropriate comment, the levels of aged debt held.</i>
Corporate priorities	The Council's recovery of debt underpins all of the Council Priorities and is relevant to the Council principle of "Value for money – we will use the council's resources wisely, but will invest in the fabric and future of the district".
Key Decision	NO
Exempt	NO
Consultees/ Consultation	N/A



1. BACKGROUND

- 1.1** At the July Audit Committee meeting Members requested an update in respect of the levels of aged debt held within the Council's accounts. The first aged debt report covering the position on sundry debts was presented to the October Audit Committee, where Members requested that the analysis was updated to also include non-invoiced debtors such as Council Tax, Business Rates and the recovery on non-invoiced housing benefit overpayments. This report provides an updated aged debt position as at January 2022 including non-invoiced debt.
- 1.2** As we enter the recovery stage of the Covid-19 pandemic, the Council is actively working to recover outstanding debts arising from the period during the pandemic when they purposely did not pursue it. This was to ensure that businesses and people were not disadvantaged during the period of lockdown when business were closed and at a time when many individuals were furloughed.
- 1.3** At 31 March 2021 the outstanding sundry debtors totalled £2.245m. This included debt requiring action (i.e. debtors older than 30 days) of £1.059m. Over the course of the last nine months this level has reduced, at 13 January 2022 outstanding sundry debtors totalled £1.906m. Aged debt requiring action reduced by £0.196m to £0.863m in October 2021 although this had risen at 13 January 2022 to £1.280m due to a small number of large invoices as outlined in Section 2.
- 1.4** Non invoiced debtors including Housing Benefit overpayments recovered from ongoing benefit, Council tax and Business Rates have also reduced since 31 March 2021 as outlined in Sections 3 and 4 of this report. This was as a result of monitoring and proactive recovery action undertaken following the easing of lockdown restrictions. £1.6m of Council tax and £0.8m of Business Rates in relation to prior years has been recovered since 31 March 2021.

2. SUNDRY DEBTOR AGED PROFILE

- 2.1** As at 13 January 2022 there were 827 sundry debt invoices outstanding with a value of £1.905m (an average balance of £2,304). The total aged debt profile for sundry debtors over the last five years can be seen at Annex A.
- 2.2** Annex B summarises the current aged debt profile by service.
- 2.3** Table 1 below summarises the total sundry debtors older than 30 days.



Table 1 Sundry Debtors > 30 days

Date	Rent Allowance (3) £	Excluding Rent Allowance £	Total Debtors > 30 days £
31/03/2018	759,935	243,142	1,003,077
31/03/2019	780,569	379,460	1,160,029
31/03/2020	668,711	48,828	717,539
31/03/2021	586,373	472,535	1,058,908
08/10/2021	542,540	320,260 (2)	862,800
13/01/2022	527,959	751,680 (1)(2)	1,279,639

- (1) The balance at 13 January 2021 includes the recovery of £110k of Covid-19 business grants (£134k at 08/10/2021).
- (2) Sundry Debtors >30 days at 13 January 2022 includes 13 debtors totalling £537k (26 debtors totalling £237k at 8/10/21) where the debtor is overdue by 1-3 months.
- (3) From 2019/20 housing benefit overpayments recovered from claimants in receipt of housing benefit is recovered through ongoing benefit rather than invoiced via the Accounts Receivable system. This amounted to £156k at 31 March 2020, £200k at 31 March 2021 and £153k in January 2022.

2.4 Debtors requiring action (over 30 days) increased by £417k to £1.280m at 13 January 2022, 94 per cent of the increase from the position previously reported at the 8 October 2021 can be accounted for by just five invoices totalling £392k as shown in table 2 below. The Accountancy invoice of £256,364 was paid on the 14 January 2022 and the remaining 4 items totalling £135k will be investigated further in the final quarter of 2021/22 and proactive action taken as necessary to reduce the overall aged debtor balance.



Table 2 Increase in Sundry Debtors >30 days from 8/10/21

Service	Amount £	Age/Recovery Stage	No of Invoices
Accountancy	256,364 (1)	1-3 Months	1
Leisure Management	25,623	Halted Recovery	1
Rent Allowances	11,100	Legal	1
Creditors	73,621	1-3 Months	1
Household Waste	25,064	1-3 Months	1
TOTAL	391,772		5

(1) This invoice is no longer outstanding and was paid on the 14 January 2022

- 2.5** In order to ensure that the Council adopts a prudent approach to accounting for debt that might not be due, a “provision for doubtful debts” is made against the year-end balance. The value of this provision for 2020/21 for sundry debtors was £625,575 and will be revised as part of the 2021/22 final accounts process.

3. HOUSING BENEFIT RECOVERED FROM ONGOING BENEFIT

- 3.1** From 2019/20 overpayments recovered from claimants in receipt of housing benefit has been recovered through ongoing housing benefit rather than invoiced via the Accounts Receivable system. This amounted to £156k at 31/3/20, £200k at 31/3/21 and £153k at 14/1/22. Housing benefit debtors are recovered over a long period of time as housing benefit claimants are unlikely to be able to afford to repay in a lump sum.

- 3.2** The Council are now only responsible for administering pension and complex cases with responsibility for other claims transferred to the DWP. The Council continue to be responsible for collecting existing debt prior to 2019/20 and any new overpayment debt related to pensioners or any more complex claims.

4. COUNCIL TAX AND BUSINESS RATES

- 4.1** Tables 3 and 4 below highlight the significant increase in both outstanding Council tax and Business rates at the 31 March 2021 when compared to 31 March 2020. Council tax outstanding increased by almost £2m whilst Business Rates outstanding increased by almost £1.2m.



4.2 Formal (statutory) recovery was suspended on all debts during the pandemic. Soft reminder letters was sent to residents/businesses during this period as well as proactive telephone calls to obtain payments. Courts restarted their hearings in early 2021 and the recovery process commenced. Officers are currently catching up on reminder and final reminder runs, as well as offering support where possible to those struggling with debt. Collection for 2021/22 is on target, but officers are not being complacent, and monitoring on a weekly basis.

4.3 **Table 3** below shows reduction in level of outstanding Council tax compared to position at 31 March 2021. 90% of Council tax arrears is recovered within three years and 97% is recovered over a 5 year period. The total amount recovered since 31 March 2021 includes £57k of council tax written off.

Table 3 reduction in level of outstanding Council tax

Council Tax	Outstanding 31/3/20 £	Outstanding 31/3/21 £	Outstanding 12/1/22 £	Recovered since 31/3/21
Prior Years	126,485	111,759	73,269	38,490
2016/17	65,645	56,873	43,524	13,349
2017/18	149,388	123,307	94,800	28,507
2018/19	385,396	274,951	169,560	105,391
2019/20	1,161,567	654,281	410,495	243,786
2020/21	-	2,646,461	1,473,466	1,172,995
TOTAL	1,888,481	3,867,632	2,265,114	1,602,518

*Excludes Council tax bills raised in current financial year (2021/22)

4.4 **Table 4** below shows reduction in level of outstanding Business Rates compared to position at 31 March 2021. The total amount recovered since 31 March 2021 includes £9k of business rates written off.

Table 4 reduction in level of outstanding Business Rates

Business Rate	Outstanding 31/3/20 £	Outstanding 31/3/21 £	Outstanding 12/1/22 £	Recovered since 31/3/21
Prior Years	37,068	40,989	26,390	14,599
2016/17	133,337	125,089	117,782	7,307
2017/18	142,358	138,105	128,760	9,345
2018/19	184,814	154,255	121,110	33,145
2019/20	792,951	542,679	444,538	98,141
2020/21	-	1,447,162	772,717	674,445
TOTAL	1,290,528	2,448,279	1,611,297	836,982

*Excludes Business rate bills raised in current financial year (2021/22)



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5. DEBT RECOVERY PROCESS

- 5.1** The current process for debt recovery involves an automated approach being followed for the first two months, with the system generating standardised reminder letters to the relevant debtors. At the end of this process, as the debt becomes 3 months old, the relevant service area is required to actively chase the debt through phone calls and further correspondence or instruct the Accounts Receivable team to take further action including referral to legal or establishing a payment plan.
- 5.2** Housing Benefit debtors (which make up 41 per cent of the current invoiced debtors requiring action) are actively chased by the Benefit recovery team.
- 5.3** Officers within Estates have worked proactively throughout the pandemic with commercial property tenants to agree payment plans without any reduction in rent payable. This has resulted in a debtors older than 30 days reducing from £0.079m at 31 March 2021 to £0.020m at 13 January 2022.
- 5.4** The aged debt position is monitored on a monthly basis with reports provided to both budget holders and the finance team. The aged debt position will continue to be monitored closely on a monthly basis to ensure proactive action is taken where necessary.
- 5.5** The Write off policy is included as **Annex C** to this report. Write offs are only approved when all other avenues have been exhausted. Write offs in excess of £5,000 require both S151 Officer and Cabinet approval.
- 5.6** A separate recovery policy is in place for Revenues and Benefits, the write off policy from this policy is included as **Annex D** to this report. Write offs in excess of £5,000 also require both S151 Officer and Cabinet approval.

6. LEGAL IMPLICATIONS

- 6.1** There are no legal implications arising from this report.

7. RISK ASSESSMENT

- 7.1** Failure to take the necessary corrective action in relation to aged debt may result in the Council having to write off significant balances which are not covered by existing bad debt provisions.

8. CLIMATE CHANGE IMPLICATIONS



8.1 None directly arising from this report.

9. BACKGROUND PAPERS

9.1 None

(END)