

**22 February 2022**

**Update on Debtors Position**

**Ward(s):** All

**Portfolios:** All

**Purpose:** For Information

**1. Aim**

- 1.1 To provide an update on sundry, council tax and non-domestic rate debt levels and recovery since 31 March 2021.

**2. Summary**

- 2.1 Following a request from Audit Committee this report details the outstanding debtor's position both as at 31 March 2021 and the most recent position as at 31 December 2021.
- 2.2 In addition, an analysis was requested as to whether the Covid-19 pandemic has impacted upon the levels of debtors and whether this is affecting the ability to collect debt.
- 2.3 Both an age analysis and detail of any impact of Covid-19 is provided, split over three categories:
- Sundry debtors
  - Council tax debtors
  - Non-domestic rate (NDR) debtors

**3. Recommendations**

- 3.1 That Audit Committee receive this report and note the position set out.

**4. Report detail – know**

- 4.1 Audit Committee requested that a report which provided details on the position of outstanding debtors that were in place as at 31 March 2021 was provided during the current year.

Overall debtors

- 4.2 The following table provides a breakdown of debtors outstanding on 31 March 2021 and the corresponding outstanding balances on 31 December split between

sundry debtors, council tax and NDR. It should be noted that the figures as at 31 December 2021 do not include any new debtors relating to 2021/22 to ensure that a comparable position is provided to focus on the recovery of existing debtors as at 31 March 2021.

	<b>31 March 2021 £m</b>	<b>31 December 2021 £m</b>	<b>Movement in year £m</b>
Sundry debtors	27.444	11.912	15.532
Council tax debtors	29.307	24.829	4.478
NDR debtors	11.536	8.176	3.360
<b>Total</b>	<b>68.287</b>	<b>36.003</b>	<b>32.284</b>

4.3 These debtor figures represent a cumulative balance over a number of years and as such may appear high in terms of overall monetary value. However, the value of total amounts originally billed / invoiced for these categories would have been considerably greater. To take just 2020/21 into account the total original values billed / invoiced were:

- Sundry debtor invoices £57.640m
- Council tax demands £140.918m
- NDR demands £48.869m

4.4 It must be noted that the level of NDR demands raised in 2020/21 were significantly lower than normal due to additional reliefs provided for Covid-19 by Government (with further details in relation to this set out in the NDR section of the report below).

4.5 When the total debtors outstanding position is reviewed against the total amount billed / invoiced over the same period the debtors as a % outstanding is as follows:

	<b>31 March 2021</b>	<b>31 December 2021</b>
Sundry debtors	4.35%	1.87%
Council tax debtors	1.54%	1.30%
NDR debtors	1.16%	0.75%

4.6 More details on these figures are provided within the relevant individual sections below for each class of debtor.

#### Sundry debtors

4.7 Sundry debtors contain debt due to the council which are associated with an invoice raised to an organisation, individual or company through the council's financial ledger.

4.8 The following table provides a breakdown of the £27.444 million sundry debtors' outstanding balance as at 31 March 2021 and the corresponding outstanding balance as at 31 December 2021. Again it should be noted that the figures set out as at 31 December 2021 do not include any new debtors relating to 2021/22 to ensure that a comparable position is provided to focus on the recovery of existing debtors as at 31 March 2021.

	As at 31 March 2021			As at 31 December 2021		
	Total £m	Less than 1 yr old £m	Over 1 yr old £m	Total £m	Less than 1 yr old £m	Over 1 yr old £m
NHS Black Country & West Birmingham CCG	10.479	9.896	0.583	5.489	5.405	0.084
Other NHS bodies	0.243	0.240	0.003	0.151	0.150	0.002
Local government bodies	0.843	0.790	0.053	0.019	0.011	0.008
Central government	0.111	0.111	0.000	0.019	0.019	0.000
Walsall schools	3.865	3.853	0.012	0.022	0.011	0.011
Social care clients	7.880	3.815	4.065	5.043	1.769	3.275
Other bodies	4.023	2.986	1.037	1.169	0.367	0.802
<b>Total</b>	<b>27.444</b>	<b>21.691</b>	<b>5.753</b>	<b>11.912</b>	<b>7.730</b>	<b>4.182</b>

- 4.9 The table shows that overall the council has continued to actively collect sundry debts relating to prior years during 2021/22. Those debtors that were less than one year old as at 31 March 2021 have reduced overall by £13.961 million, a 64.36% reduction. Those that were over one year old have also reduced by £1.571 million, a 27.31% reduction.
- 4.10 The majority of the sundry debtors as at 31 December 2021 are represented by two categories: social care client debtors (42.34%) and NHS Black Country & West Birmingham CCG (46.08%).
- 4.11 With regard to social care client debtors further short term actions are currently being implemented by the directorate to develop improved processes and clarity on roles, responsibilities and timescales in relation to debt, and improve processes in relation to client queries. Additionally longer-term actions are also being developed as part of the Proud Income work stream including a review and update of the ASC charging policy and associated processes. These short and longer term actions will further help to recover the debt that is currently outstanding.
- 4.12 Work is also ongoing between the council and NHS Black Country & West Birmingham CCG to ensure outstanding invoices in that area can be cleared as soon as possible.
- 4.13 To put the level of sundry debt into perspective the following table shows the level of outstanding debtors against the total value of invoices raised by year over the last ten years.

	Financial year	Debt raised in year £m	Sundry debtors 31 March 2021 £m	% outstanding 31 March 2021	Sundry debtors 31 December 2021 £m	% outstanding 31 December 2021
Year 0	2020/21	57.640	21.691	37.63%	7.730	13.41%
Year 1	2019/20	52.777	2.688	5.09%	1.737	3.29%
Year 2	2018/19	46.253	1.058	2.29%	0.861	1.86%
Year 3	2017/18	50.902	0.739	1.45%	0.443	0.87%
Year 4	2016/17	61.508	0.356	0.58%	0.309	0.50%
Year 5	2015/16	59.299	0.359	0.61%	0.323	0.54%
Year 6	2014/15	76.152	0.278	0.36%	0.256	0.34%
Year 7	2013/14	73.145	0.033	0.05%	0.032	0.04%
Year 8	2012/13	73.210	0.018	0.02%	0.016	0.02%
Year 9	2011/12	75.403	0.014	0.02%	0.014	0.02%
		<b>626.289</b>	<b>27.233</b>	<b>4.35%</b>	<b>11.721</b>	<b>1.87%</b>

- 4.14 The difference in balance between the table above and that on the previous page is due to there being £0.191 million sundry debtors being greater than ten years old that are all still being actively chased or are on instalment plans at present.
- 4.15 The level of outstanding debt related to 2020/21 (37.63%) is higher than that which would normally be expected when compared to prior years (2019/20 27.55%, 2018/19 26.49%, 2017/18 24.54%). However upon review the increase in outstanding debt is primarily due to the debt related to outstanding Black Country & West Birmingham CCG debt, referred to above.
- 4.16 Therefore taking the position of debt relating to Black Country & West Birmingham CCG in to account there is no evidence that Covid-19 has had a significant effect on the level of outstanding sundry debt for the year or the ability to recover this.
- 4.17 The council is required to make an impairment allowance for potentially bad or doubtful debts (formerly the bad debt provision) for sundry debtors. As at 31 March 2021, this allowance totalled £2.141 million.
- 4.18 This impairment allowance is only calculated for social care client debtors and other bodies' debtors as the CIPFA Accounting Code of Practice includes an assumption that for government organisations no allowance is required as the council will receive this money from them.
- 4.19 In addition, no provision is made against the amount outstanding for Walsall schools, as these debtors are netted off against council creditors as intra council entries within the council's accounts.
- 4.20 Furthermore, for the purposes of the calculation, no allowance is provided for the first 3 months with an increasing scale then applied against the debtors up to 100% after 5 years. These provision rates are generally based on trends in collection over the last 15 years. However, for 2020/21 an element of judgement was applied given the Covid-19 pandemic to determine whether the provision was sufficient.

- 4.21 For social care client debtors an additional £0.696 million of impairment allowance has also been provided for at the end of 2020/21.
- 4.22 This level of provision overall gave a total coverage of 18% of these debtors as at 31 March 2021. The coverage for those debtors that are over 3 months old was 27% as at 31 March 2021.

Council tax debtors

- 4.23 Council tax debtors are those amounts owed to the council by local taxpayers. As with sundry debtors this represents a cumulative total of debts outstanding over a number of years dating back to the start of the council tax regime. The following table outlines the total outstanding by year, along with the original council tax values billed for the year.

	Financial year	Debt raised in year £m	Council tax debtors 31 March 2021 £m	% Debt raised outstanding	Council tax debtors 31 December 2021 £m	% Debt raised outstanding
Year 0	2020/21	140.918	9.250	6.56%	5.981	4.24%
Year 1	2019/20	139.540	5.330	3.82%	4.527	3.24%
Year 2	2018/19	131.715	3.519	2.67%	3.285	2.49%
Year 3	2017/18	123.505	2.608	2.11%	2.489	2.02%
Year 4	2016/17	114.565	1.982	1.73%	1.943	1.70%
Year 5	2015/16	108.286	1.510	1.39%	1.492	1.38%
Year 6	2014/15	99.112	1.022	1.03%	1.028	1.04%
Year 7	2013/14	96.662	0.897	0.93%	0.942	0.97%
Year 8	2012/13	92.575	0.735	0.79%	0.760	0.82%
Year 9	2011/12	91.829	0.650	0.71%	0.682	0.74%
Year 10	2010/11	91.106	0.625	0.69%	0.661	0.73%
Year 11	2009/10	88.155	0.625	0.71%	0.649	0.74%
Year 12	2008/09	86.095	0.351	0.41%	0.320	0.37%
Year 13	2007/08	83.553	0.153	0.18%	0.120	0.14%
Year 14+	Prior to 2007/08	419.393	0.050	0.01%	(0.050)	(0.01%)
		<b>1,907.011</b>	<b>29.307</b>	<b>1.54%</b>	<b>24.829</b>	<b>1.30%</b>

- 4.24 The level of debt outstanding for 2020/21 (6.56%) is higher than usually expected based on prior years (average of 5.43% over the last five years).
- 4.25 This increase is likely to have been linked to the impact of Covid-19 as councils were limited during 2020/21 with regards to what action they could take in relation to non-payment of council tax due to the pandemic.
- 4.26 Whilst these restrictions have now been lifted there is now a corresponding backlog that has been created within the court system which is again affecting the ability at present to take legal action, with the court service indicating that it may take two to three years for the system to fully recover from this backlog.
- 4.27 As a result there will be an ongoing impact on the council tax debtor's position for the council. However whilst this is situation is not unique to Walsall Council and is a national issue, the council is actively chasing all outstanding debt where possible

and will continue with this and with putting in place alternative support where required, for instance where a debtor has limited means to repay the debt, the council does allow payment arrangements so that the debt is repaid over a longer period – however this does mean that the time taken to fully repay these debts increases.

- 4.28 The council is also required to make an impairment allowance for potentially bad or doubtful debts for council tax debtors. As at 31 March 2021, this allowance totalled £7.956 million.
- 4.29 This level of provision gave a total coverage of 27% of council tax debtors as at 31 March 2021.
- 4.30 For the purposes of the calculation, an allowance is provided on an increasing basis against the debtors up to 100% for those debtors over 5 years old. These provision rates are based on trends in collection over the last 15 years. An additional review was carried out at year end to ensure this provision was sufficient to cover the potential impact of Covid-19 related issues.

#### NDR debtors

- 4.31 NDR debtors are those amounts owed to the council by non-domestic ratepayers. As with sundry debtors, this is a cumulative total of debts outstanding over a number of years. The following table outlines the total outstanding by year, along with the original NDR values billed for the year.

	Financial year	Amount billed in year £m	NDR debtors 31 March 2021 £m	% outstanding 31 March 2021	NDR debtors 31 December 2021 £m	% outstanding 31 December 2021
Year 0	2020/21	48.869	6.283	12.86%	3.167	6.48%
Year 1	2019/20	74.823	1.838	2.46%	1.407	1.88%
Year 2	2018/19	73.095	0.952	1.30%	0.749	1.03%
Year 3	2017/18	71.232	0.682	0.96%	0.506	0.71%
Year 4	2016/17	72.249	0.597	0.83%	0.496	0.69%
Year 5	2015/16	71.060	0.274	0.39%	0.231	0.33%
Year 6	2014/15	70.053	0.407	0.58%	0.342	0.49%
Year 7	2013/14	70.670	0.349	0.49%	0.290	0.41%
Year 8	2012/13	69.140	0.291	0.42%	0.245	0.35%
Year 9	2011/12	67.349	0.343	0.51%	0.288	0.42%
Year 10+	Prior to 2011/12	395.122	0.560	0.14%	0.455	0.11%
		<b>1,083.661</b>	<b>12.575</b>	<b>1.16%</b>	<b>8.176</b>	<b>0.75%</b>

- 4.32 The large reduction in amount billed in 2020/21 is due to the actions taken by central Government in providing enhanced relief to retail, leisure and hospitality businesses as a result of the Covid-19 pandemic. The additional relief provided in 2020/21 totalled c.£29 million for Walsall.
- 4.33 The level of debt outstanding for 2020/21 (12.86%) is higher than usually expected based on prior years (average of 2.37% over the last five years).

- 4.34 As with council tax, this increase is believed to be attributable to the impact of Covid-19 where councils were restricted in what actions could be taken in relation to recovery of NDR debt during 2020/21 due to the pandemic.
- 4.35 Again these restrictions have now been lifted, however the backlog in the court system described within the council tax section of this report is also impacting on the ability to collect outstanding NDR debt.
- 4.36 In addition, there has been a decreased level of NDR debt recovery during 2021/22 due to the ongoing effects of the pandemic on businesses, with many businesses still facing ongoing cash flow issues due to restrictions in trading caused by lockdowns and other measures introduced by government. These have also resulted in a number of businesses ceasing to trade whilst still owing non-domestic rates.
- 4.37 The council is undertaking actions to actively seek to recover NDR debtor, however this is normally only successful where a company is still trading. Where a company has either ceased trading or gone into administration the council will at best only be able to recover a proportion of the debt from the administrators. However, NDR debtors are classified further down the priority categorisation for repayment of debt by any administrators.
- 4.38 The council is required to make an impairment allowance for potentially bad or doubtful debts for NDR debtors. As at 31 March 2021, this allowance totalled £5.169 million.
- 4.39 This level of provision gave a total coverage of 41% of non-domestic rate debtors as at 31 March 2021.
- 4.40 For the purposes of the calculation, an allowance is provided on an increasing basis against the debtors up to 100% for those debtors over 5 years old. These provision rates are based on trends in collection over the last 15 years although for 2020/21 an element of judgement was applied given the Covid-19 pandemic.

#### Control Environment

- 4.41 For sundry debtors services are responsible for debt collection with oversight provided by both finance and a dedicated debt recovery team within the corporate centre. In addition, monthly impairment allowance reviews are carried out with a report provided to the Head of Finance. Quarterly reports are provided to the council's Treasury Management Panel on levels of sundry debtors and current actions being taken for recovery.
- 4.42 There is also a dedicated team within revenue and benefits service that continuously monitors debtor levels for council tax and NDR. Regular performance monitoring is carried out and reported for council tax and NDR with appropriate actions being taken by officers where required.

#### Assurance of Controls

- 4.43 The council has an approved set of procedures in place in relation to the recovery of debt.

- 4.44 Internal audit carries out annual audits on both accounts receivable and the council tax/NDR which includes a focus on debt recovery. The outcome of these audits are reported to Audit Committee.

#### Strategic Risks

- 4.45 As this report is reviewing performance over 2021/22 there are no associated strategic risks.

### **5. Financial information**

- 5.1 There are no further financial implications as a result of this report beyond those detailed in Section 4.

### **6. Reducing Inequalities**

- 6.1 Where required consideration is made with regards to a person's ability to pay when deciding what recovery action should be taken. Where there are issues concerning ability to pay then the council works with the individuals concerned to seek to develop repayment plans.

### **7. Decide**

- 7.1 This report is for information only, and there are no matters within this report which require a decision.

### **8. Respond**

- 8.1 Audit Committee are asked to note and comment on this report.

### **9. Review**

- 9.1 The level of debtors will continue to be actively monitored and reviewed by the finance debt recovery team (for sundry debtors) and the revenue & benefits debt recovery team (for council tax and NDR). Monthly and quarterly reports in relation to this will continue to be produced and presented to senior management.

### **Background papers**

Various financial working papers, system reports and statutory guidance

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