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## **CORPORATE DEBTS – WRITE OFFS IN 2017/18**

**Report by Chief Financial Officer**

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### **EXECUTIVE COMMITTEE**

**19 June 2018**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 As required by the Financial Regulations, this report details the aggregate amounts of debt written off during 2017/18 under delegated authority.**
- 1.2 The report covers the areas of Council Tax, Non-Domestic Rates, Sundry Debtors, Housing Benefit Overpayments and aged debt from the balance sheet.
- 1.3 The total value of write-offs reduced from £0.645m in 2016/17 to £0.259m in 2017/18.
- 1.4 There are ongoing risks associated with the management of the Council's debts and these may lead to an increase in the level of debts that may require to be written off as irrecoverable in future years. These have been identified in paragraph 6.2. The Council maintains an appropriate bad debt provision to help manage these risks.

#### **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Executive Committee note the debtor balances written off during 2017/18 under delegated authority.**

### 3 BACKGROUND

- 3.1 Financial Regulations give the Chief Financial Officer authority to write-off individual irrecoverable debts up to £100,000. Any debt in excess of £100,000 may only be written off as irrecoverable following approval by the Executive Committee. No write-offs have fallen into this category in 2017/18.
- 3.2 Financial Regulations also require that the Chief Financial Officer shall report to the Executive Committee annually on the aggregate amounts written off under delegated authority and this report fulfils that remit for financial year 2017/18.

### 4 LEVEL OF WRITE OFFS

- 4.1 The total net amounts which were written off during 2017/18 are shown in table 1 below. Figures for the previous two financial years, previously reported, are shown for comparison.

Table 1

Category	Net amount written off (£'000)	Net amount written off (£'000)	Net amount written off (£'000)
	2015/16	2016/17	2017/18
Council Tax	188.9	164.2	39.9
Non Domestic Rates	346.5	143.6	8.3
Sundry Debts	133.7	49.4	133.4
Housing Benefits Overpayments	9.9	149.1	78.3
Aged debt from balance sheet	0	139.0	0
<b>Total</b>	<b>679.0</b>	<b>645.3</b>	<b>259.9</b>

- 4.2 The 'write-offs' are net of any amount 'written back on'. This occurs where a debt has been written off and subsequent information is received, such as a new forwarding address, which would enable the Council to again pursue a debt previously considered irrecoverable. In these circumstances, the write-off will be reversed by a write-on and the debtor will then be pursued for the debt.
- 4.3 In all cases, a debt will only be written off when at least one of the following occurs:-
- Legislation prevents its recovery;
  - It is uneconomic to pursue;
  - The Debtor becomes insolvent;
  - All options of recovery have been exhausted, which includes the use of the Council's Legal team and the Sheriff Officers, 'Walker Love';
  - After a professional assessment of the debt concludes that recovery is unlikely. For example, if Sheriff Officers advise that there are no assets, or the debtor has left the area and cannot be traced.

- 4.4 The value of Council Tax write offs processed within 2017/18 has reduced significantly in comparison to previous years. This is a combination of a reduced number of cases being processed but also a reduction in the individual case value. This is also affected by the type of write off e.g. sequestration. The prioritisation of newer, rather than aged, debt write off in 2017/18 is also a contributing factor. It is expected the level of write offs will increase through 2018/19 from the relatively low 2017/18 level.
- The highest value of write-offs for Council Tax in 2017/18 is in the category where the liable party has become insolvent. The number of cases reduced from 214 in 2016/17 to 191 in 2017/18.
- 4.5 The value of Non-Domestic Rates write-offs processed in 2017/18 has decreased significantly compared to the previous year. This is a combination of a reduced number of cases being processed but also in the individual case value. This is also affected by the type e.g. sequestration. The prioritisation of newer, rather than aged debt write off, is also a contributing factor. It is expected the level of write offs will increase through 2018/19 from the relatively low 2017/18 level.
- 4.6 The amount of Housing Benefit overpayments written off has reduced in comparison to 2016/17. A significant amount of historically uncollectable debt being written off over the last two years, with a larger amount in 2016/17. Housing Benefit Overpayments attract up to 100% subsidy from The Department for Work and Pensions which combined with the ongoing recovery measures minimises any potential financial loss to the Council.
- 4.7 As a result of work continuing on Housing Benefit overpayments aimed at reducing outstanding uncollectable aged debt, the level of Housing Benefit Overpayment write offs in 2018/19 is likely to remain at a similar levels to 2017/18. The subsidy arrangements will, however, continue as outlined above in 4.6.
- 4.8 During the 2017/18 financial year, the amount of sundry debt write-offs has increased, mainly due to high value liquidations and deceased cases where no effects. It is expected that write-offs will continue at a higher rate in 2018/19 as the Council continues to encounter difficulties in recovering social care debt and liquidations/sequestrations. The amount of Sundry Debt currently owed to the Council, and deemed to be at risk, presently stands at £1.5m. The Bad Debt Provision currently stands at £0.93m. To mitigate against this possible shortfall in provision, a further £0.165m has been added to the provision from the 2017/18 outturn. This is consistent with the level of debt considered to be at high risk of non-recovery.

## 5 ANALYSIS OF WRITE OFFS

### 5.1 Council Tax

Table 2 shows the Council Tax debts which have been written off have been categorised by reason:-

Table 2

Reason for Write Off	Council Tax –net amounts written off 2016/17 (£)	No. of transactions	Council Tax – net amounts written off 2017/18 (£)	No. of transactions
Small balance (less than £10)	* -146	212	* -66	178

Surcharges	17,239	870	4,655	186
Deceased	81,355	392	8,451	68
No Forwarding Address	22,816	253	* -4,998	67
No Effects	0	0	0	0
Insolvency	38,540	214	38,488	191
Miscellaneous	4,439	130	* - 6,557	181
<b>Total</b>	<b>164,243</b>	<b>2071</b>	<b>39,973</b>	<b>871</b>

\* Please note these are net of any write on's

## 5.2 Non Domestic Rates

Table 3 shows the Non Domestic Rates debts which have been written off have been categorised by the reason for the write off:-

Table 3

Reason for Write Off	Non Domestic Rates – net amounts written off 2016/17 (£)	No. of transactions	Non Domestic Rates – net amounts written off 2017/18 (£)	No. of transactions
Small balance (less than £10)	8	5	135	120
Surcharges	14,447	26	1,119	2
Deceased	3,325	2	0	0
No Forwarding Address	577	1	-20	1
No Effects	0	0	0	0
Insolvency	112,133	24	* -4,182	4
Miscellaneous	13,144	71	11,260	50
<b>Total</b>	<b>143,634</b>	<b>129</b>	<b>8,312</b>	<b>177</b>

\* Please note these are net of any write on's

## 5.3 Sundry Debt

The total amount of Sundry Debts written off in 2017/18 is shown in table 4 below by individual services. Comparative write offs which have already been approved is provided for the two previous financial years.

Table 4

Service	Net amount written off (£)		
	2015/16	2016/17	2017/18
Chief Executive	24,352	15,322	3,118
People	42,585	15,466	86,998
Place	66,763	18,632	43,312
<b>Total</b>	<b>133,700</b>	<b>49,421</b>	<b>133,428</b>

## 6 IMPLICATIONS

### 6.1 Financial

An annual budget provision for sundry bad debts of £125k and £635k for Council Tax is maintained, which is regularly reviewed and if necessary will be revised in future.

## 6.2 **Risk and Mitigations**

It is expected that the level of debts written off in 2018/19 will increase, compared to 2017/18 due to heightened risk factors detailed in paras 4.4-4.8. Performance in this area continues to be closely monitored and management action, including the approved policy on debt recovery and supporting procedures, are in place to minimise risk. It should be noted that in Sundry Debtors, there is £1.5m of outstanding debt assessed as carrying the risk of requiring write-off and it is expected that a significant part of this may be irrecoverable and require future write-off. As indicated in para 4.8, an additional sum of £165k has been added to the Sundry Debt bad debt provision.

## 6.3 **Equalities**

There are no direct equalities implications from this report.

## 6.4 **Acting Sustainably**

There are no environmental implications directly associated with this report.

## 6.5 **Carbon Management**

There is no impact on the Council's carbon emissions.

## 6.6 **Rural Proofing**

There are no changes in policy or strategy in relation to rural areas.

## 6.7 **Changes to Scheme of Administration or Scheme of Delegation**

There are no changes to the Scheme of Administration or the Scheme of Delegation.

# 7 **CONSULTATION**

- 7.1 The Corporate Management Team, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit & Risk, the Chief Officer HR and the Clerk to the Council have been consulted and any comments have been reflected in the report.

## **Approved by**

**David Robertson**  
**Chief Financial Officer**

**Signature .....**

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**Background Papers:**  
**Previous Minute Reference:**

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