

Report by Chief Financial Officer

Executive Committee

7 June 2016

1 PURPOSE AND SUMMARY

- 1.1 **As required by the Financial Regulations, this report details the aggregate amounts of debt written off during 2015/16 under delegated authority.**
- 1.2 The report covers the areas of Council Tax, Non-Domestic Rates, Sundry Debtors, and Housing Benefit Overpayments.
- 1.3 The total value of write-offs increased from £0.627m in 2014/15 to £0.679m in 2015/16.
- 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.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Executive notes the debtor balances written off during 2015/16 under delegated authority.**

3 BACKGROUND

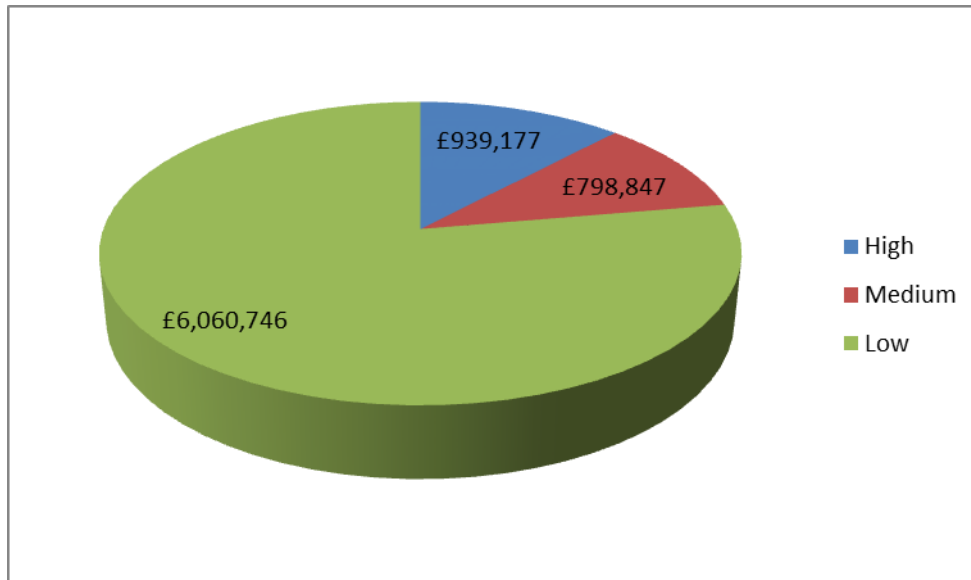
- 3.1 Financial Regulations give the Chief Financial Officer authority to write-off individual irrecoverable debts up to £100,000. Any debt in excess of £100,000 may only be written off as irrecoverable following approval by the Executive. No write-offs have fallen into this category in 2015-16.
- 3.2 Financial Regulations also require that the Chief Financial Officer shall report to the Executive annually on the aggregate amounts written off under delegated authority and this report fulfils that remit for financial year 2015/16.

4 LEVEL OF WRITE OFFS

- 4.1 The total net amounts which were written off during 2015/16, and previous two years, are as follows:

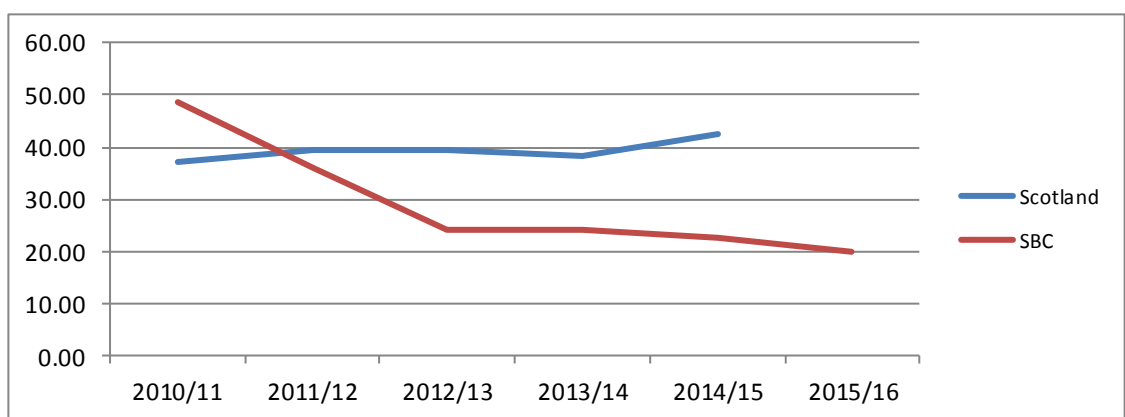
Income Stream	Net amount written off (£'000)	Net amount written off (£'000)	Net amount written off (£'000)
	2013/14	2014/15	2015/16
Council Tax	224.3	239.9	188.9
Non Domestic Rates	70.4	14.5	346.5
Sundry Debts	265.7	357.2	133.7
Housing Benefits Overpayments	15.4	16.0	9.9
Total	575.8	627.6	679.0

- 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:
- (a) It is uneconomic to pursue;
 - (b) The Debtor becomes insolvent;
 - (c) All options of recovery have been exhausted, which includes the use of the Council's legal team and the Sheriff Officers, Walker Love;
 - (d) 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 amount of Sundry Debt currently owed to the Council and deemed to be low, medium and high risk, can be demonstrated as per the chart below.



4.5 Council Tax collections have seen a small reduction in their in-year collections from 96.52% in 2014/15 to 96.5% in 2015/16. The highest value of write-offs for Council Tax and NDR in 2015/16 is in the Insolvency category, where no dividend has been received within one year of an insolvency event.

4.6 During 2015/16 the Sundry Debts billed in year totalled £29.2m, up from £25.1m in 2014/15. Collections of 75.21% of the net amount billed were achieved, against an average of 80.27% across Scotland in 2014/15. This is down on previous year figure of 81.6% due to the increase in invoices issued near the financial year end. When taking into account only debt due by 31 March, then the collection rate increases substantially to over 91%. Total overdue debt stands at £2.2m, up marginally from the 31 March 2015 figure of £1.9m, with a decrease in the sundry debt outstanding over 90 days figure, from 22.5% of the overall debt in 2014/15 to 19.8% in 2015/16. Figures for Scotland are not yet available for the last financial year, but this compares to a Scottish average in 2014/15 of 35.3%. The five year trend of debtors outstanding over 90 days compared to the Scottish average being:



4.7 During the 2015/16 financial year, the amount of sundry debt write-offs has reduced by 37.4%, possibly due at least in part to economic changes, but also due to the efforts of Credit Control staff to keep write-offs to a minimum. It is expected that write-offs will increase in future years, due to the highly-probable requirement to write off significant debt (£100k+), in one specific case currently undergoing legal action.

- 4.8 Council Tax write-offs decreased by 21.2% and Non-Domestic rates write-offs increased significantly when compared to the previous year. Resource was allocated to dealing with sequestrations and insolvencies which is the reason why the Non-Domestic Rates write offs increased in 2015/16 with the amount of insolvencies increasing to 77 compared with 12 the previous year.

5 ANALYSIS OF WRITE OFFS

5.1 Council Tax

In the following table the Council Tax debts which have been written off have been categorised by reason:

Reason for Write Off	Council Tax – net amounts written off 2014 (£)	No. of transactions	Council Tax – net amounts written off 2015 (£)	No. of transactions
Small balance (less than £10)	526	372	-130	211
Surcharges	23,909	634	19,077	561
Deceased	41,988	208	22,647	133
No Forwarding Address	35,238	171	13,065	100
No Effects	395	1	0	0
Insolvency	136,297	419	126,262	386
Miscellaneous	1588	96	8,072	73
Total	239,941	1901	188,993	1464

5.2 Non Domestic Rates

In the following table the Non Domestic Rates debts which have been written off have been categorised by the reason for the write off:

Reason for Write Off	Non Domestic Rates – net amounts written off 2014 (£)	No. of transactions	Non Domestic Rates – net amounts written off 2015 (£)	No. of transactions
Small balance (less than £10)	7	5	8	6
Surcharges	428	7	22,013	56
Deceased	0	0	0	0
No Forwarding Address	0	0	0	0
No Effects	0	0	20,126	4
Insolvency	14,116	12	304,421	77
Miscellaneous	0	0	-63	11
Total	14,551	24	346,505	154

- 5.3 The total amount of Sundry Debts written off in 2015/16 is shown in the table by individual services. Comparative write offs which have already been approved is provided for the two previous financial years:

Service	Net amount written off		
	2013/14	2014/15	2015/16
Children & Young People	7,063	29,183	4,360
Chief Executive's	32,526	38,250	24,352
Adult Services	164,171	206,016	38,225
Place	61,957	83,717	66,763
Total	265,717	357,168	133,700

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. During 2015/16 a further provision of £200k was made for sundry debtors in anticipation of the level of write-offs in 2016/17. These write-offs will be charged to the related provisions.

6.2 Risk and Mitigations

It is expected that the level of debts written off in 2016/17 will increase, compared to 2015/16 due to heightened risk factors for some large sundry debt accounts. 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 the risk. It should be noted that in Sundry Debtors, there is £1.1m 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.

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 Service Director for Neighbourhood Services, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council are being consulted and any comments received will be updated at the meeting.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

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Background Papers:**Previous Minute Reference:**

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Debbie Collins can also give information on other language translations as well as providing additional copies.

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