
CORPORATE DEBTS – WRITE OFFS IN 2016/17

Report by Chief Financial Officer

Executive Committee

20 June 2017

1 PURPOSE AND SUMMARY

- 1.1 **As required by the Financial Regulations, this report details the aggregate amounts of debt written off during 2016/17 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 £0.679m in 2015/16 to £0.645m in 2016/17.
- 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 Committee note the debtor balances written off during 2016/17 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 2016/17.
- 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 2016/17.

4 LEVEL OF WRITE OFFS

- 4.1 The total net amounts which were written off during 2016/17 and previous 2 years, are as follows:-

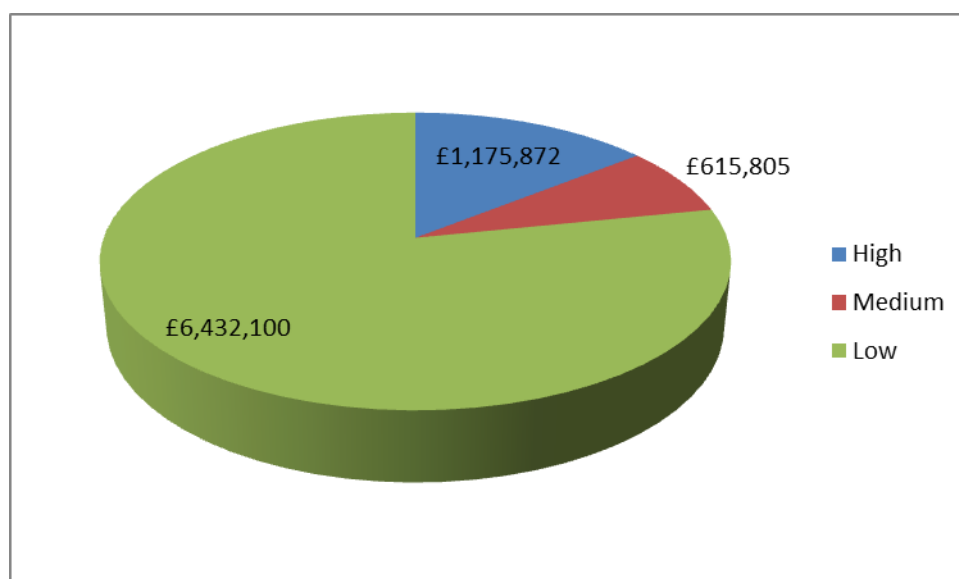
Category	Net amount written off (£'000)	Net amount written off (£'000)	Net amount written off (£'000)
	2014/15	2015/16	2016/17
Council Tax	239.9	188.9	164.2
Non Domestic Rates	14.5	346.5	143.6
Sundry Debts	357.2	133.7	49.4
Housing Benefits Overpayments	16.0	9.9	149.1
Aged debt from balance sheet	0	0	139.0
Total	627.6	679.0	645.3

- 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 Council Tax collections have seen an increase in their in-year collections from 96.5% in 2015/16 to 96.63% in 2016/17. This is the second highest collection level since 2009/10. The highest value of write-offs for Council Tax in 2016/17 is where the liable party is deceased and there were no

funds available in the estate. The number of cases increased from 133 in 2015/16 to 392 in 2016/17. For NDR the highest value of write-offs in 2016/17 remained in the Insolvency category, where no dividend has been received within 1 year of an insolvency event.

Council Tax write-offs decreased by 13% from last year. The overall value of the write-offs in 2016/17 has decreased from £189k to £164k. However, the number of cases has increased significantly from 1,464 in 2015/16 to 2,071 in 2016/17. The Non-Domestic Rates write-offs have decreased significantly when compared to the previous year. Resource was allocated in 2016/17 to deal with sequestrations and insolvencies giving an increase in this category in 2015/16.

- 4.5 The amount of Housing Benefit overpayments written off increased considerably in 2016/17. A significant part of the increase is as a result of historically uncollectable debt now being formally written off. 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.
- 4.6 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 may remain higher through 2017/18 and 2018/19. The subsidy arrangements will, however, continue as outlined above in 4.5.
- 4.7 A write off of aged balances from the balance sheet was undertaken as part of the year end process resulting in a write off of £139k.
- 4.8 During the 2016/17 financial year, the amount of sundry debt write-offs has reduced by 63.0%, due to the efforts of Credit Control staff to keep write-offs to a minimum. It is expected that write-offs will increase in 2017/18 due to the highly-probable requirement to write off significant debt (£100k+) in one specific case currently undergoing legal action. 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. The Bad Debt Provision currently stands at £0.97m.



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 2015/16 (£)	No. of transactions	Council Tax – net amounts written off 2016/17 (£)	No. of transactions
Small balance (less than £10)	-130	211	-146	212
Surcharges	19,077	561	17,239	870
Deceased	22,647	133	81,355	392
No Forwarding Address	13,065	100	22,816	253
No Effects	0	0	0	0
Insolvency	126,262	386	38,540	214
Miscellaneous	8,072	73	4,439	130
Total	188,993	1464	164,243	2071

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 2015/16 (£)	No. of transactions	Non Domestic Rates – net amounts written off 2016/17 (£)	No. of transactions
Small balance (less than £10)	8	6	8	5
Surcharges	22,013	56	14,447	26
Deceased	0	0	3,325	2
No Forwarding Address	0	0	577	1
No Effects	20,126	4	0	0
Insolvency	304,421	77	112,133	24
Miscellaneous	-63	11	13,144	71
Total	346,505	154	143,634	129

5.3 Sundry Debt

The total amount of Sundry Debts written off in 2016/17 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 (£)		
	2014/15	2015/16	2016/17
Chief Executive	38,250	24,352	15,322
People	235,199	42,585	15,466
Place	83,717	66,763	18,632
Total	357,168	133,700	49,421

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 2017/18 will increase, compared to 2016/17 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 £1.0m 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 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:

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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