
CORPORATE DEBTS – WRITE OFFS IN 2014/15

Report by Chief Financial Officer

Executive

9th June 2015

1 PURPOSE AND SUMMARY

- 1.1 **As required by the Financial Regulations, this report details the aggregate amounts of debt written off during 2014/15 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 £0.576m in 2013/14 to £0.627m in 2014/15.
- 1.4 2014/15 write-offs have remained at similar levels to the previous year, probably reflecting the levelling-off in economic conditions. There are however, 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:**
 - (a) **Note the debtor balances written off during 2014/15 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 2014-15.
- 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 2014/15.

4 LEVEL OF WRITE OFFS

- 4.1 The total net amounts which were written off during 2013/14 are as follows:-

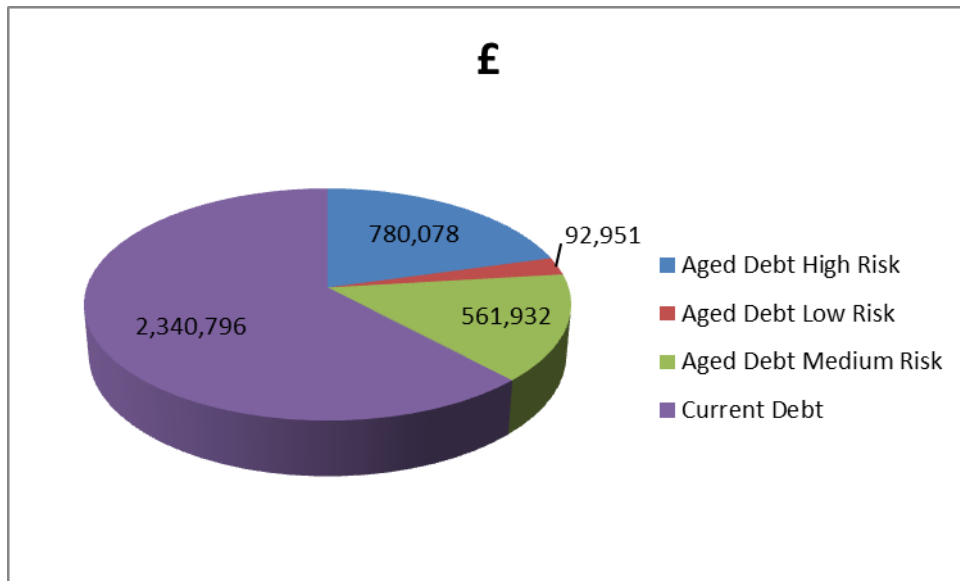
Income Stream	Net amount written off (£'000)	Net amount written off (£'000)	Net amount written off (£'000)
	2012/13	2013/14	2014/15
Council Tax	538.5	224.3	239.9
Non Domestic Rates	135.3	70.4	14.5
Sundry Debts	442.5	265.7	357.2
Housing Benefits Overpayments	31.5	15.4	16.0
Total	1,147.8	575.8	627.6

- 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.

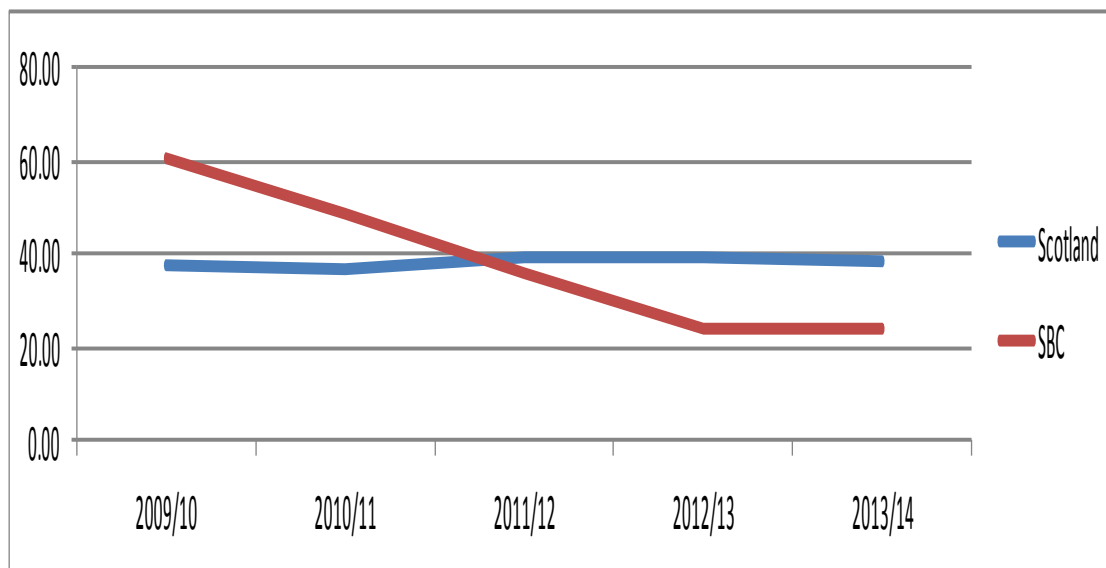
- 4.3 In all cases, a debt will only be written off when:-

- 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;

The amount of debt currently owed to the Council and in particular, aged debt deemed to be low, medium and high risk, can be demonstrated as per the chart below, where £93k is deemed to be both aged and with the high risk of non-collection.



- 4.4 Council Tax collections have seen a reduction in their in-year collections from 96.61% in 2013/14 to 96.52% in 2014/15. The highest value of write-offs for Council Tax and NDR in 2014/15 is in the Insolvency category, where no dividend has been received within 1 year of an insolvency event.
- 4.5 During 2014/15 the Sundry Debts billed in year totalled £25.1m, down from £30.6m in 2013/14. Reductions of £2m for Border Railway, £1m for NHS and £2m for Residential Care billing accounted for the bulk of this reduction. Collections of 81.6% of the total billed were achieved, against an average of 78.5% across Scotland in 2013/14, continuing the improved collection rates since the 72.1% achieved in 2009/10. Total overdue debt has reduced to £1.8m, a fall from the 31 March 2014 figure of £2.4m, with a significant reduction in the sundry debt outstanding over 90 days figure, from 24.2% of the overall debt in 2013/14 to 19.6% in 2014/15, reflecting the increased emphasis on managing older debt. Figures for Scotland are not yet available for the last financial year, but this compares to a Scottish average in 2013/14 of 38.3%. The five year trend of debtors outstanding over 90 days compared to the Scottish average being:-



- 4.6 During the 2014/15 financial year, the amount of sundry debt write-offs has increased by 34.4% and is expected to increase in future years, due to the highly-probable requirement to write off significant debt (£25k+), in two specific cases, as part-settlement of legal action outcomes. Council Tax write-offs increased by 6.3% and Non-Domestic rates write-offs reduced by 79.3% when compared to the previous year. The reduction in the Non-Domestic Rates write offs in 2014/15 is a result of a reduction in the amount of insolvencies within the year and due to administrative issues with the allocation and processing of information received from the Sheriff Officer. This is in hand and is expected to increase write offs back to levels experienced in previous years (average of last 5 years being £49,101)

5 ANALYSIS OF WRITE OFFS

Council Tax

- 5.1 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 2013 (£)	No. of transactions	Council Tax – net amounts written off 2014 (£)	No. of transactions
Small balance (less than £10)	596	378	526	372
Surcharges	24,715	541	23,909	634
Deceased	32,852	135	41,988	208

No Forwarding Address	30,951	159	35,238	171
No Effects	0	0	395	1
Insolvency	133,775	375	136,297	419
Miscellaneous	2,559	51	1588	96
Total	225,448	1639	239,941	1901

Non Domestic Rates

- 5.2 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 2013 (£)	No. of transactions	Non Domestic Rates – net amounts written off 2014 (£)	No. of transactions
Small balance (less than £10)	2	2	7	5
Surcharges	7,195	23	428	7
Deceased	0	0	0	0
No Forwarding Address	0	0	0	0
No Effects	671	1	0	0
Insolvency	63,898	27	14,116	12
Miscellaneous	15	2	0	0
Total	70,439	55	14,551	24

- 5.3 The total amount of Sundry Debts written off in 2014/15 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		
	2012/13 (£)	2013/14	2014/15
Education	4,684	7,063	29,183
Corporate Resources	22,337	32,526	38,250
Social Work	86,039	164,171	206,016
Environment & Infrastructure	329,504	61,957	83,717
Total	442,564	265,717	357,168

IMPLICATIONS

6 Financial

- 6.1 An annual budget provision for sundry bad debts of £125k and £716k for Council Tax is maintained, which is regularly reviewed and if necessary will

be revised in future. The final outturn for 2014/15 made a further provision of £100k for sundry debtors in anticipation of the level of write-offs in 2015/16. 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 2015/16 will increase, compared to 2014/15 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 £481,325 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 Service Director Strategy and Policy, 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)

Name	Designation and Contact Number
Suzy Douglas	Business Partner 01835 824000 x5881
Philip Brand	Credit Control Team Leader 01835 826785
Katrina Wilkinson	Revenues Lead

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.

Contact us at Suzy Douglas Tel 01835 824000 x5881,
email: Susanne.Douglas@scotborders.gov.gsx.uk