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## **CORPORATE DEBTS – WRITE OFFS IN 2018/19**

**Report by Chief Financial Officer**

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### **EXECUTIVE COMMITTEE**

**18 June 2019**

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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 2018/19 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 increased from £0.259m in 2017/18 to £0.702m in 2018/19.
- 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 STATUS OF REPORT**

- 2.1 Due to a delay in the availability of the relevant information this report is currently out for consultation. Any comments received will be reported at the meeting.

#### **3 RECOMMENDATIONS**

- 3.1 **It is recommended that the Executive Committee note the debtor balances written off during 2018/19 under delegated authority.**

## 4 BACKGROUND

- 4.1 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 2018/19.
- 4.2 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 2018/19.

## 5 LEVEL OF WRITE OFFS

- 5.1 The total net amounts which were written off during 2018/19 are shown in table 1 below. Figures for the previous two financial years, previously reported, are shown for comparison.

Table 1

<b>Category</b>	<b>Net amount written off (£'000)</b>	<b>Net amount written off (£'000)</b>	<b>Net amount written off (£'000)</b>
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Council Tax	164.2	39.9	433.8
Non Domestic Rates	143.6	8.3	-3.6
Sundry Debts	49.4	133.4	218.9
Housing Benefits Overpayments	149.1	78.3	53.4
Aged debt from balance sheet	139.0	0	0
<b>Total</b>	<b>645.3</b>	<b>259.9</b>	<b>702.5</b>

- 5.2 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.
- 5.3 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.

- 5.4 The value of Council Tax write offs processed within 2018/19 has increased significantly in comparison to last year. In 2017/18 the amount written off was unusually low as a result of a reduced number of cases being processed but also a reduction in the individual case value. It was also affected by the prioritisation of newer, rather than aged.

It was expected that the level of write offs would increase significantly in 2018/19 as a result of addressing the backlog of cases to be cleared and ensuring ongoing works were maintained.

The highest value of write-offs for Council Tax in 2018/19 continues to be within the category where the liable party has become insolvent. The number of cases increased from 191 in 2017/18 to 533 in 2018/19 although some of these cases would have become insolvent in 2017/18.

- 5.5 The value of Non-Domestic Rates write offs processed within 2018/19 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 mainly due to the value of write on's within the categories giving an overall Net Write On in 2018/19.

The reason for this was two previously Written Off accounts being Written On due to monies becoming available from the Insolvency Practitioner to cover some of the debt.

It was expected that the level of write offs would increase through 2018/19 from the relatively low 2017/18 level however this has not been the case due to the prioritisation of other works. It is expected that the level of write offs will increase through 2018/19 as a result of addressing the backlog of cases to be cleared and ensuring ongoing works are maintained.

The highest value of write-offs for Non-Domestic Rates in 2018/19 is in the category where the liable party has become insolvent.

- 5.6 The amount of Housing Benefit overpayments written off has reduced in comparison to 2017/18, however it should be noted that in 2016/17 and 2017/18 significant work was carried out to reduce historically uncollectable debt. 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.
- 5.7 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 2019/20 is likely to remain at a similar level to 2018/19. The subsidy arrangements will, however, continue as outlined above in 4.6.
- 5.8 As intimated in previous year's report, write-offs for Sundry Debt continued 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 £1.7m. The Bad Debt Provision currently stands at £1.1m. To mitigate against this possible shortfall in provision, a further £150K has been added to the provision from the 2018/19 outturn. This is consistent with the level of debt considered to be at high risk of non-recovery.

## 6 ANALYSIS OF WRITE OFFS

### 6.1 Council Tax

Table 2 shows the Council Tax debts which have been written off in 2018/19 and have been categorised by reason for the write off:-

Table 2

Reason for Write Off	Council Tax – net amounts written off 2017/18 (£)	No. of transactions	Council Tax – net amounts written off 2018/19 (£)	No. of transactions
Small balance (less than £10)	-66	178	2,675	3977
Surcharges	4,655	186	47,536	1674
Deceased	8,451	68	103,695	631
No Forwarding Address	-4,998	67	94,414	340
Insolvency	38,488	191	182,680	533
Miscellaneous	- 6,557	181	2,848	143
<b>Total</b>	<b>39,973</b>	<b>871</b>	<b>433,848</b>	<b>7298</b>

### 6.2 Non Domestic Rates

Table 3 shows the Non Domestic Rates debts which have been written off in 2018/19 and have been categorised by the reason for the write off:-

Table 3

Reason for Write Off	Non Domestic Rates – net amounts written off 2017/18 (£)	No. of transactions	Non Domestic Rates – net amounts written off 2018/19 (£)	No. of transactions
Small balance (less than £10)	135	120	-12	19
Surcharges	1,119	2	87	2
No Forwarding Address	-20	1	0	0
Insolvency	-4,182	4	-4,321	3
Miscellaneous	11,260	50	617	38
<b>Total</b>	<b>8,312</b>	<b>177</b>	<b>-3,605</b>	<b>62</b>

### 6.3 Sundry Debt

The total amount of Sundry Debts written off in 2018/19 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 (£)		
	2016/17	2017/18	2018/19
Chief Executive	15,322	3,118	32,470
People	15,466	86,998	135,987
Place	18,632	43,312	50,502
<b>Total</b>	<b>49,421</b>	<b>133,428</b>	<b>218,959</b>

## 7 IMPLICATIONS

### 7.1 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.

### 7.2 Risk and Mitigations

It is expected that the level of debts written off in 2019/20 will be comparable to 2018/19 due to continued 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 £1.7m 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 £150k has been added to the Sundry Debt bad debt provision.

### 7.3 Equalities

There are no direct equalities implications from this report.

### 7.4 Acting Sustainably

There are no environmental implications directly associated with this report.

### 7.5 Carbon Management

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

### 7.6 Rural Proofing

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

### 7.7 Changes to Scheme of Administration or Scheme of Delegation

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

## 8 CONSULTATION

- 8.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR Communications 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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