



CORPORATE DEBTS – WRITE OFFS IN 2019/20

Report by Executive Director, Finance & Regulatory

EXECUTIVE COMMITTEE

15 September 2020

1 PURPOSE AND SUMMARY

- 1.1 **As required by the Financial Regulations, this report details the aggregate amounts of debt written off during 2019/20 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 £0.702m in 2018/19 to £1.872m in 2019/20.
- 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 2019/20 under delegated authority.**

3 BACKGROUND

- 3.1 Financial Regulations give the Executive Director Finance & Regulatory 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 2019/20.
- 3.2 Financial Regulations also require that the Executive Director Finance & Regulatory 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 2019/20.

4 LEVEL OF WRITE OFFS

- 4.1 The total net amounts which were written off during 2019/20 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)
	2017/18	2018/19	2019/20
Council Tax	39.9	433.8	597.0
Non Domestic Rates	8.3	-3.6	928.1
Sundry Debts	133.4	218.9	298.1
Housing Benefits Overpayments	78.3	53.4	49.1
Aged debt from balance sheet	0	0	0
Total	259.9	702.5	1,872.3

- 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 The value of Council Tax write offs processed within 2019/20 has increased slightly in comparison to 2018/19. In 2017/18 the amount written off was unusually low and it was expected the level of write offs would increase significantly from 2018/19 onwards as a result of addressing the backlog of cases to be cleared. The ongoing works have been maintained leading to the continued level of write offs.

The highest value of write-offs for Council Tax in 2019/20 continues to be within the category where the liable party has become insolvent. The number of cases increased from 533 in 2018/19 to 557 in 2019/20 although some of these cases would have become insolvent in 2018/19.

There has been a significant increase debt written off in cases where there was no forwarding address which is due to the increase in numbers of untraceable debtors (up from 340 to 631) including historic cases.

- 4.5 The value of Non-Domestic Rates write offs processed within 2019/20 has increased significantly in comparison to previous years. This is due to an increased number of cases being processed including historic caseloads but particularly within the Insolvency category which will include debt from previous years.

It was expected that the level of write offs would increase from the low 2018/19 level and this is reflected in the figures for 2019/20. As expected the level of write offs has increased during 2019/20 as a result of addressing the backlog of cases to be cleared and this is likely to continue as ongoing works are maintained.

The highest value of write-offs for Non-Domestic Rates in 2019/20 is in the category where the liable party has become insolvent.

- 4.6 The amount of Housing Benefit overpayments written off has reduced slightly in comparison to 2018/19, however some historically uncollectable debt is still being 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.

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 2020/21 is likely to remain at a similar level to 2019/20. The subsidy arrangements will, however, continue as outlined above.

- 4.7 As intimated in previous year's report, write-offs for Sundry Debt continued at a higher rate in 2019/20 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 £0.95m. The Bad Debt Provision currently stands at £1.0m. To take account of the expected continuation of high level of write-offs in 2020/21, exacerbated by the Covid-19 situation, a further £125k has been added to the bad debt provision for Sundry Debt.

5 ANALYSIS OF WRITE OFFS

5.1 Council Tax

Table 2 shows the Council Tax debts which have been written off in 2019/20 and have been categorised by reason for the write off:-

Table 2

Reason for Write Off	Council Tax - net amounts written off 2018/19 (£)	No. of transactions	Council Tax – net amounts written off 2019/20 (£)	No. of transactions
Small balance (less than £10)	2,675	3,977	-324	421
Surcharges	47,536	1,674	62,387	1,693
Deceased	103,695	631	138,736	450
No Forwarding Address	94,414	340	175,997	631
Insolvency	182,680	533	217,534	557
Miscellaneous	2,848	143	2,654	211
Total	433,848	7,298	596,984	3,963

5.2 Non Domestic Rates

Table 3 shows the Non Domestic Rates debts which have been written off in 2019/20 and have been categorised by the reason for the write off:-

Table 3

Reason for Write Off	Non Domestic Rates – net amounts written off 2018/19 (£)	No. of transactions	Non Domestic Rates – net amounts written off 2019/20 (£)	No. of transactions
Small balance (less than £10)	-12	19	30	16
Surcharges	87	2	86,648	188
Deceased	0	0	2,711	1
No Forwarding Address	0	0	42,886	23
Insolvency	-4,321	3	790,473	173
Miscellaneous	617	38	5,332	43
Total	-3,605	62	928,080	444

5.3 Sundry Debt

The total amount of Sundry Debts written off in 2019/20 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 (£)		
	2017/18	2018/19	2019/20
Chief Executive	3,118	32,470	14,097
People	86,998	135,987	172,206
Place	43,312	50,502	111,873
Total	133,428	218,959	298,176

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 2020/21 will be higher than 2019/20 due to continued heightened risk factors detailed in paras 4.4-4.7. 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 £0.95m 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.

The Council maintains an appropriate bad debt provision to help manage these risks.

6.3 Integrated Impact Assessment

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine financial monitoring report which is required to comply with the Financial Regulations. Nevertheless, a light touch assessment has been conducted and this will be published on SBC's Equality and Diversity Pages of the website as in doing so, signifies that equality, diversity and socio-economic factors have duly been considered when preparing 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 Executive Director (Finance & Regulatory), the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR & Communications, the Clerk to the Council and Corporate Communications have been consulted and their comments have been incorporated into this report.

Approved by

David Robertson
Executive Director, Finance & Regulatory 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. We can also give information on other language translations as well as providing additional copies.

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