
CORPORATE DEBTS – WRITE OFFS IN 2020/21

**Report by Executive Director, Finance & Regulatory
EXECUTIVE COMMITTEE**

8 June 2021

1 PURPOSE AND SUMMARY

- 1.1 **As required by the Financial Regulations, this report details the aggregate amounts of debt written off during 2020/21 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 decreased from £1.872m in 2019/20 to £0.726m in 2020/21.
- 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 2020/21 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 2020/21.
- 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 2020/21.

4 LEVEL OF WRITE OFFS

- 4.1 The total net amounts which were written off during 2020/21 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)
	2018/19	2019/20	2020/21
Council Tax	433.8	597.0	294.9
Non Domestic Rates	-3.6	928.1	140.6
Sundry Debts	218.9	298.1	199.2
Housing Benefits Overpayments	53.4	49.1	91.4
Aged debt from balance sheet	0	0	0
Total	702.5	1,872.3	726.1

- 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 2020/21 has reduced in comparison to 2019/20. This is due to resource being directed to deal with the administration of Covid Business Grants and a decision to reduce debt recovery action during 20/21 due to Covid 19.

The highest value of write-offs for Council Tax in 2020/21 is within the No Forwarding Address category where we have been unsuccessful in tracing a debtor to recover the sums due.

The number of insolvency write offs significantly reduced from 557 in 2019/20 to 210 in 2020/21.

It is anticipated that during 2021/22 write off levels will return to 19/20 levels or higher depending on the economic recovery levels post Covid 19.

- 4.5 The value of Non-Domestic Rates write offs processed within 2020/21 has decreased significantly in comparison to the previous year. This is due to resource being directed to deal with the administration of Covid Business Grants and a decision to reduce debt recovery action during 20/21 due to Covid 19.

The highest value of write offs for Non-Domestic Rates in 2020/21 is in the category where the liable party has become insolvent.

It is anticipate that write off levels will return to 19/20 levels during 21/22 and may exceed those depending on the economic impacts of Covid 19 and the speed of economic recovery post pandemic.

- 4.6 The amount of Housing Benefit overpayments written off increased significantly in comparison to 2019/20, 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 2021/22 is likely to remain at a similar level to 2020/21. The subsidy arrangements will, however, continue as outlined above.

- 4.7 As intimated in previous year's report, within Sundry Debt, the Council continues to encounter difficulties in recovering social care debt and liquidations/sequestrations, however a decision to reduce debt recovery action during 2020/21 due to Covid 19 has resulted in lower write-offs than initially expected. The amount of Sundry Debt currently owed to the Council, and deemed to be at risk, presently stands at £1.05m. The Bad Debt Provision as at 31 March 2021 stands at £0.93m with an additional £0.12m to be added in 2021/22.

5 ANALYSIS OF WRITE OFFS

5.1 Council Tax

Table 2 shows the Council Tax debts which have been written off in 2020/21 and have been categorised by reason for the write off:-

Table 2

Reason for Write Off	Council Tax – net amounts written off 2019/20 (£)	No. of transactions	Council Tax – net amounts written off 2020/21 (£)	No. of transactions
Small balance (less than £10)	-324	421	-770	642
Surcharges	62,387	1,693	31,304	984
Deceased	138,736	450	85,863	350
No Forwarding Address	175,997	631	99,611	469
Insolvency	217,534	557	81,058	210
Miscellaneous	2,654	211	-2,204	605
Total	596,984	3,963	294,862	3,260

5.2 Non Domestic Rates

Table 3 shows the Non Domestic Rates debts which have been written off in 2020/21 and have been categorised by the reason for the write off:-

Table 3

Reason for Write Off	Non Domestic Rates – net amounts written off 2019/20 (£)	No. of transactions	Non Domestic Rates – net amounts written off 2020/21 (£)	No. of transactions
Small balance (less than £10)	30	16	26	16
Surcharges	86,648	188	10,548	30
Deceased	2,711	1	0	0
No Forwarding Address	42,886	23	-555	1
Insolvency	790,473	173	130,503	40
Miscellaneous	5,332	43	56	3
Total	928,080	444	140,578	90

5.3 Sundry Debt

The total amount of Sundry Debts written off in 2020/21 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 (£)		
	2018/19	2019/20	2020/21
Chief Executive	32,470	14,097	54,051
People	135,987	172,206	100,213
Place	50,502	111,873	44,912
Total	218,959	298,176	199,176

6 IMPLICATIONS

6.1 Financial

An annual budget provision for sundry bad debts of £125k and £807k for Council Tax is maintained, which is regularly reviewed and if necessary will be revised in future.

6.2 Risk and Mitigations

The level of debts written off in 2020/21 is significantly lower than 2019/20 however, as the full impact of Covid 19 is not yet known, it is anticipated that write-off levels will increase again in 2021/22. 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 £1.05m 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.....

Author(s)

Name	Designation and Contact Number
Sara Halliday	Treasury Business Partner 01835 824000 x5854
Les Grant	Customer Advice and Support Manager 01835 824000 x5547
Gary Murdie	Benefits Lead Officer 01835 824000 x2722

Background Papers:

Previous Minute Reference:

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Contact us at Kirsty Robb, Council Headquarters, Newtown St Boswells, Melrose TD6 0SA.

Tel 01835 825249,

email: krobb@scotborders.gov.uk