
CORPORATE DEBTS – WRITE OFFS IN 2021/22

Report by Director - Finance & Corporate Governance

EXECUTIVE COMMITTEE

14th June 2022

1 PURPOSE AND SUMMARY

- 1.1 **As required by the Financial Regulations, this report details the aggregate amounts of debt written off during 2021/22 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 £0.726m in 2020/21 to £0.39m in 2021/22.
- 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 2021/22 under delegated authority are reduced due to staff being moved to other Covid-related duties and that the level of write offs are likely to increase back to previous levels in 2022/23.**

3 BACKGROUND

- 3.1 Financial Regulations give the Director - Finance & Corporate Governance 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. One report in excess of £100,00 was taken to the Executive Committee on 8th February 2022 totalling £100,731.45 for Beaune Properties Ltd.
- 3.2 Financial Regulations also require that the Director - Finance & Corporate Governance 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 2021/22.

4 LEVEL OF WRITE OFFS

- 4.1 The total net amounts which were written off during 2021/22 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)
	2019/20	2020/21	2021/22
Council Tax	597.0	294.9	209.4
Non Domestic Rates	928.1	140.6	-0.76
Sundry Debts	298.1	199.20	166.4
Housing Benefits Overpayments	49.1	91.04	16.5
Aged debt from balance sheet	0	0	0
Total	1872.3	726.1	391.54

- 4.2 The 'write-offs' are net of any amount 'written back on'.

A write-on 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.

Due to a recent change in administrative practises, a write-on can also be necessary where the customer does not provide enough details to allow their overpayment to be refunded. Where a customer does not respond after various attempts a "write-on" will be necessary. When the information is subsequently provided this would enable the Council to issue the refund and the write-on will be reversed.

- 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 2021/22 have reduced in comparison to 2020/21. This is due to resources continuing to be directed to deal with the administration of Covid Business Grants and COLP payments, the increasing backlog of ongoing caseload and a decision to continue to reduce debt recovery action during 21/22 due to Covid 19.
- The highest value of write-offs for Council Tax in 2021/22 is within the Deceased category where the Estate has confirmed there are no funds available to recover the sums due.
- The number of write offs within the “no forwarding address” category significantly reduced from 469 in 2020/21 to 150 in 2021/22. This is due to no dedicated recovery action being taken.
- It is anticipated that during 2022/23 write off levels will return to 19/20 levels or higher depending on the economic recovery levels post Covid 19 and in terms of the cost of living crisis.
- 4.5 At the time of this report there have been no Non-Domestic Rates write offs processed within the 2021/22 year other than automatic small balance write offs. This is due to resource being directed to deal with the administration of Covid Business Grants and COLP payments, the increasing backlogs of ongoing caseload and a decision to reduce debt recovery action during 2021/22 due to Covid 19.
- It is anticipated that during 2022/23 write off levels will dramatically increase depending on the economic recovery levels post Covid 19 and in terms of the cost of living crisis.
- 4.6 The amount of Housing Benefit overpayments written off has decreased significantly in comparison to 2020/21 as work on the historically uncollectable debt has reduced. 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.
- 4.7 As intimated in previous year’s report, within Sundry Debt, the Council continues to encounter difficulties in recovering social care debt, liquidations/sequestrations and debt that is time barred, however a decision to reduce debt recovery action during 2021/22 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 £0.82m. The Bad Debt Provision as at 31 March 2022 stands at £0.72m with an additional £0.12m to be added in 2022/23.
- It is anticipated that during 2022/23 write off levels will return to 19/20 levels or higher depending on the economic recovery levels post Covid 19 and in terms of cost of living crisis.

5 ANALYSIS OF WRITE OFFS

5.1 Council Tax

Table 2 shows the Council Tax debts which have been written off in 2021/22 and have been categorised by reason for the write off:-

Table 2

Reason for Write Off	Council Tax – net amounts written off 2020/21 (£)	No. of transactions	Council Tax – net amounts written off 2021/22 (£)	No. of transactions
Small balance (less than £10)	-770	642	2,362	2778
Surcharges	31,304	984	21,372	1038
Deceased	85,863	350	74,031	323
No Forwarding Address	99,611	469	32,590	150
Insolvency	81,058	210	72,283	264
Miscellaneous	-2,204	605	6,749	257
Total	294,862	3,260	209,387	4,810

5.2 Non Domestic Rates

Table 3 shows the Non Domestic Rates debts which have been written off in 2021/22 and have been categorised by the reason for the write off:-

Table 3

Reason for Write Off	Non Domestic Rates – net amounts written off 2020/21 (£)	No. of transactions	Non Domestic Rates – net amounts written off 2021/22 (£)	No. of transactions
Small balance (less than £10)	26	16	37	22
Surcharges	10,548	30	0	0
Deceased	0	0	0	0
No Forwarding Address	-555	1	-44	2
Insolvency	130,503	40	0	0
Miscellaneous	56	3	-755	12
Total	140,578	90	-762	36

5.3 Sundry Debt

The total amount of Sundry Debts written off in 2021/22 is shown in table 4 below by individual categories. Comparative write offs which have already been approved is provided for the two previous financial years, which have previously been reported by individual services. To bring the report in line with Council Tax and NDR, reporting will now be by categories.

Table 4

Service	Net amount written off (£)		
	2019/20	2020/21	2021/22
Chief Executive	14,097	54,051	
People	172,206	100,213	
Place	111,873	44,912	
Deceased			5,192
Unable to Trace			1,428
Bankruptcy & Liquidation			103,022
Uneconomical to Pursue			856
Credit Amounts			-3,569
Sheriff Officer unable to recover			8,692
Time Barred			57,927
Write Backs			-7,123
Total	298,176	199,176	166,425

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 2021/22 is significantly lower than 2020/21, due mainly to the impact of Covid 19, it is anticipated that write-off levels will increase again in 2022/23. 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 £0.82m 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 Chief Legal Officer (including as Monitoring Officer), the Chief Officer Audit and Risk, Director (People Performance & Change), the Clerk to the Council and Communications have been consulted and their comments have been incorporated into the final report.

Approved by

David Robertson

Director - Finance & Corporate Governance

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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