
COUNCIL TAX AND NON DOMESTIC RATES WRITE OFFS REPORT - 1 APRIL 22 TO 30 JUNE 22

Report by Director of Resilient Communities

EXECUTIVE COMMITTEE

13 September 2022

1 PURPOSE AND SUMMARY

- 1.1 To report on the levels of both Council Tax and Non-Domestic Rates debt written off, under delegated authority in the first quarter of 2022/23.**
- 1.2 The total net value of write-offs for the above categories during the first quarter is £40,263 as detailed in the Table 1 at section 4.1.
- 1.3 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 I recommend that the Executive Committee note the update provided on debtor balances written off during the first quarter, under delegated authority, as requested by the Committee at its meeting on 14 June 2022.**

3 BACKGROUND

- 3.1 Under the Scheme of Delegation the Direct Resilient Communities can write off debts up to £1000 and the 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 the first quarter of 2022/23 in relation to Council Tax and Non Domestic Rates.
- 3.2 Financial Regulations also require that the Chief Financial Officer report to the Executive Committee annually on the aggregate amounts written off under delegated authority. At the Executive Committee meeting held on 14 June 2022, when 2021/22 outturn reports were considered, the Committee requested a quarterly report to highlight the amounts of debt written off during the period 01/04/2022 – 30/06/2022 under delegated authority in more detail.

4 LEVEL OF WRITE OFFS

- 4.1 The total net amounts which were written off during the first quarter of 2022/23 are shown in Table 1 below. Figures for the same period of the previous financial years are shown for comparison.

Table 1

Category	Net amount written off 1st quarter 2019/20 (£)	Net amount written off 1st quarter 2020/21 (£)	Net amount written off 1st quarter 2021/22 (£)	Net amount written off 1st quarter 2022/23 (£)
Council Tax	127,600	-338	-123	57,234
Non-Domestic Rates	508,866	611	24	-16,971
Total	636,466	273	-99	40,263

- 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 or contra and the debtor will then be pursued for the debt.
- 4.3 Due to a recent change in administrative practises, a write-on can also be necessary when a customer does not provide enough details to allow an overpayment to be refunded. Where a customer does not respond after various attempts a "write-on" is necessary. When the information is subsequently provided this enables the Council to issue the refund and the write-on will be reversed. Negative figures in the above tables reflect where these type of reversals have occurred.

- 4.4 A debt, irrespective of the categories allocated in the data tables, 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 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.

In all cases the decision is made on the basis of individual circumstances.

- 4.5 The value of Council Tax and Non Domestic Rates write offs processed within 2020/21 and 2021/22 were low as there was no direct resource concentrating on administering write offs. This was due to staff being directed to deal with the administration of Covid Business Grants and a decision to reduce debt recovery action during 2020/21 and 2021/22 due to Covid 19. Therefore a comparison will be made to 2019/20 figures.
- 4.6 It is important to note that the figures detailed within this report, although reflecting the same period, are not a direct or accurate comparative measure of economic or business activity nor personal or business financial pressure. This is because the process directly relies on the availability of officer resource and time lags exist in debt reaching the point where collection options are exhausted and write off is appropriate. This means that some figures could be unrealistically inflated or decreased depending on the level of work done.

5 ANALYSIS OF WRITE OFFS

5.1 Council Tax

Table 2 shows the Council Tax debts which have been written off in the 1st quarter in 2022/23 in comparison to 2019/20 and have been categorised by reason for the write off:-

Table 2

Reason for Write Off	Council Tax – Net amount written off 01/04/19- 30/06/19 (£)	No. of transactions	Council Tax - Net amount written off 01/04/22- 30/06/22 (£)	No. of transactions
Surcharges	12,586	202	6,646	279
Small balance (less than £10)	-658	169	71	59
Deceased	30,392	65	33,083	193
No Forwarding Address	21,051	55	4,393	22
Sequestrations	64,311	111	13,677	109
Miscellaneous	-82	31	-636	343
Total	127,600	633	57,234	1005

- a. There have been more transactions written off within the 2022/23 period however the overall debt written off has reduced by over a half in comparison with the same period in 2019/20. The main factor in this difference is the level of debt due by customers that had their balances written off due to sequestration in 2019/20 which was significantly higher than in 2022/23.
- b. Within the first 3 months of 2022 there were 343 transactions within the miscellaneous category. Over 95% of these transactions are small credit balances under £10 which have been written on. These have been incorrectly categorised during an automated job. For the remaining 6 accounts, these related to balances written off where the customer had no effects.
- c. The highest value of write-offs for Council Tax from April 2022 to June 2022 is within the Deceased category where the debtor had no funds in their estate to clear the balances due.
- d. The Council Tax write offs in Table 3 detail 5 years transactions from 2018 to 2022 with cases for all years from 1993 to 2017 summarised on the first line. Further historic detail is available in Appendix 1.

Table 3

	Deceased	Gone Away	Insolvency	MISC	Surcharge	Under £10	Total
Pre							
2018	21424	1160	-4785	-166	3508	39	21180
2018	4094	1144	2579	14	665	-2	8494
2019	2811	2066	4461	-7	798	-8	10121
2020	3597	340	7707	768	1330	11	13753
2021	1157	-317	3715	-1244	345	18	3674
2022	0	0	0	-1	0	13	12
	33083	4393	13677	-636	6646	71	57234

5.2 Non Domestic Rates

Table 4 shows the Non Domestic Rates debts which have been written off in 2022/23 compared to 2019/20 and have been categorised by the reason for the write off:-

Table 4

Reason for Write Off	NDR – net amounts written off 2019/20 (£)	No. of transactions	NDR – net amounts written off 2022/23 (£)	No. of transactions
Small balance - less than £10	10	3	-5	10
Surcharges	46,406	102	-1,482	8
Deceased	0	0	0	0
No Forwarding Address	40,855	18	0	0
Insolvency	403,211	93	-15,474	4
Miscellaneous	18,384	7	-10	3
Total	508,866	223	-16,971	25

- There has been more liability written back on in the first quarter of 2022/23 than has been written off. This was due to monies being received in relation to an Insolvency claim.
- The write offs in the Insolvency category in the 2019/20 period were unrealistically inflated due to a backlog of work that was targeted at that time which resulted in a large number of accounts/sums of money being written off and claims made to Insolvency practitioners.
- Table 5 shows the split by financial year.

Analysis of 2022/23 Write Offs over relevant financial years

Reason	2012	2013	2014	2019	2020	2021	Total
Insolvency	-2021	-12754	-699				-15474
MISC					-7	-3	-10
Surcharge	-202	-1518			51	187	-1482
Under £10	2			-9	0	2	-5
Total	-2221	-14272	-699	-9	44	186	-16971

Table 5

6 IMPLICATIONS

6.1 Financial

There is an annual budget provision for bad debts of £437k for Non Domestic Rates and £839k for Council Tax, these are regularly reviewed to ensure the provision remains appropriate.

6.2 Risk and Mitigations

The level of debts written off in this first quarter in 2022/23 is significantly lower than in 2019/20 however, as the full impact of the Cost for Living Crisis is not yet known write-off levels may increase. 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. As noted above 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.

6.4 Sustainable Development Goals

There are no environmental implications directly associated with this report.

6.5 Climate Change

There are no direct carbon emissions impacts as a result of this monitoring report; however, there may be within individual projects and these will be identified and addressed as appropriate as part of their specific governance arrangements.

6.6 Rural Proofing

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

6.7 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

6.8 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 Acting Chief Financial Officer, the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications have been consulted and any comments received have been incorporated into the final report.

Approved by

Name Jenni Craig

Title Director of Resilient Communities

Author(s)

Name	Designation and Contact Number
Jenni Craig	Director Resilient Communities 01835 825013
Les Grant	Customer Advice and Support Manager 01835 824000 x5547
Katrina Wilkinson	Revenues Lead Officer 01835 824000 x2630

Background Papers: Executive Committee Report 14/06/22

Previous Minute Reference: [insert last Minute reference (if any)]

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.

Contact us at Contact us at:

Post: Customer Advice and Support, Council Headquarters, Newtown St Boswells, Melrose TD6 0SA.

Tel : 01835 824000 (ext 2630)

Email: klwilkinson@scotborders.gov.uk

Appendix 1

This table displays the total net amount of monies written off or by write off type and is displayed per financial year.

	Deceased	Gone Away	Insolvency	MISC	Surcharge	Under £10	Total
1993	60				6		66
1994	169	-12			44		201
1995				65	-20	-5	40
1996	48				5		53
1997	61				6		68
1998	75				7		82
1999	93	-63		-44	9		-5
2000	240	-14			50		276
2001	440			0	63		502
2002	691				27		718
2003	737			-10	74		800
2004	696		53		131	-5	874
2005	671		107		204	0	982
2006	921		295		212		1428
2007	1338		998		307		2643
2008	1247		1883		476		3606
2009	1113		95		157	95	1461
2010	1326		757		281	-9	2355
2011	845		-1994		74		-1075
2012	1833		-1173		159	-7	811
2013	1502	287	-1956	-159	24		-302
2014	799	297	-1682	-13	182	-7	-424
2015	2091		-2561		92	-8	-387
2016	1355		-3255		98	-15	-1817
2017	3075	665	3649	-5	840	0	8224
2018	4094	1144	2579	14	665	-2	8494
2019	2811	2066	4461	-7	798	-8	10121
2020	3597	340	7707	768	1330	11	13753
2021	1157	-317	3715	-1244	345	18	3674
2022				-1		13	12
	33083	4393	13677	-636	6646	71	57234