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## **CORPORATE DEBTS – WRITE OFFS IN 2022/23 MID YEAR UPDATE**

**Report by Acting Chief Financial Officer**

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### **EXECUTIVE COMMITTEE**

**15<sup>th</sup> November 2022**

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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 the first 6 months of 2022/23 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 between 1 April 2022 and 30 September 2022 is £131.5k.

#### **2 RECOMMENDATIONS**

- 2.1 **It is recommended that the Executive Committee note the debtor balances written off under delegated authority for the period 1 April 2022 to 30 September 2022.**

### 3 BACKGROUND

- 3.1 Financial Regulations give the Acting 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 2022/23.
- 3.2 Financial Regulations also require that the Acting Chief Financial Officer shall report to the Executive Committee annually on the aggregate amounts written off under delegated authority and this report adds to that remit for financial year 2022/23.

### 4 LEVEL OF WRITE OFFS

- 4.1 The total net amounts which were written off during the period 1 April 2022 to 30 September 2022 are shown in table 1 below. Figures for the same period for the last two years 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>01/04/20-30/09/20</b>	<b>01/04/21-30/09/21</b>	<b>01/04/22-30/09/22</b>
Council Tax	142.1	137.6	66.9
Non Domestic Rates	141.1	0	-19.1
Sundry Debts	32.1	58.3	57.2
Housing Benefits Overpayments	55.8	16.2	26.5
Aged debt from balance sheet	0	0	0
<b>Total</b>	<b>371.1</b>	<b>212.1</b>	<b>131.5</b>

- 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 appointed 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 amount of Housing Benefit written off has increased during the first half of the year and we hope to maintain this for the remainder of the year. This increase is due to recovery work being restarted and prioritised as it was pre Pandemic

Housing Benefit Overpayments attract 100% subsidy from the Department of Work and Pensions which, combined with established recovery procedures, minimises the financial loss to the Council.

4.5 The categories of Council Tax write offs processed in the first 6 months of 2022/23 are detailed below.

The level of write off total is less than half of those administered in previous years. The reduction is evenly spread across all categories.

Gone Away's appear particularly low, this is mainly due to resource issues.

Further to this we are currently unable to process any sequestration cases. Recently the administration of sequestration cases was moved online and we are currently working to ensure all of the relevant Data Sharing safeguards have been covered. Once this has been resolved there is likely to be an increase in the figures related to this category.

Table 2

<b>Reason for write off: Council Tax</b>	<b>Net amount written off (£'000) 01/04/20-30/09/20</b>	<b>Net amount written off (£'000) 01/04/21-30/09/21</b>	<b>Net amount written off (£'000) 01/04/22-30/09/22</b>
Small Balance under £10	-0.1	2.5	-0.1
Deceased	45.7	44.0	31.6
Gone Away	61.1	14.2	1.7
Sequestered	19.7	57.2	30.2
Miscellaneous	0.6	5.8	-6.0
No effects			1.0
Surcharge	15.1	13.9	8.5
<b>Total</b>	<b>137.6</b>	<b>142.1</b>	<b>66.9</b>

4.6 Nominal amounts of Non-Domestic Rates balances were written off in the first 6 months of 2022/23.

The net position has resulted in an overall increase in liability as more balances were written back on than off within this period. The main reason for this was the reversal of a previous write off within the sequestration category.

Overall the amount written off has dramatically changed in comparison with the same period in 2020. This is mainly due to resource issues and because we are currently unable to process any sequestration cases.

Recently the administration of sequestration cases was moved online and we are currently working to ensure all of the relevant Data Sharing safeguards have been covered. Once this has been resolved there is likely to be an increase in the figures related to this category.

Table 3

<b>Reason for write off: Non Domestic Rates</b>	<b>Net amount written off (£'000)</b>	<b>Net amount written off (£'000)</b>	<b>Net amount written off (£'000)</b>
	<b>01/04/20- 30/09/20</b>	<b>01/04/21- 30/09/21</b>	<b>01/04/22- 30/09/22</b>
Sequestered	130.5	0	-15.2
Gone Away	0	0	-0.4
Miscellaneous	0	0	-2.0
Surcharge	10.6	0	-1.5
<b>Total</b>	<b>141.1</b>	<b>0</b>	<b>-19.1</b>

- 4.7 Levels of write-offs for Sundry Debt remain the same at this point in time compared with the same period of time last year, although the type of debt being written off has changed, a significant amount is due to the accounts of deceased customers whereby we are unable to claim against the deceased's estate due to timing and lack of funds.

As we emerge from the Covid 19 pandemic we have still been dealing with the remaining aged debt and restrictions that were imposed on commencing legal proceedings and have written off a further £12k due to time limitations restricting further recovery of this debt and £12k that Sheriff Officers have been unable to recover.

Going forward into the current cost of living crisis I anticipate that this will cause a higher number of sundry debt accounts being sent to Sheriff Officers and decree applications being made.

Table 4

<b>Reason for Write-off: Sundry Debt</b>	<b>Net amount written off (£'000)</b>	<b>Net amount written off (£'000)</b>	<b>Net amount written off (£'000)</b>
	<b>01/04/20- 30/09/20</b>	<b>01/04/21- 30/09/21</b>	<b>01/04/22- 30/09/22</b>
Deceased	7.6	1.5	31.4
Gone Away	4.8	0.1	0.5
Bankruptcy	9.1	1.1	0.3
Uneconomic to Pursue	4.2	1.2	1

Sheriff Officer Unable to Collect	6.4	1.2	12
Time Barred		53.2	12
<b>Total</b>	<b>32.1</b>	<b>58.3</b>	<b>57.2</b>

## 5 IMPLICATIONS

### 5.1 Financial

An annual budget provision for sundry bad debts of £125k and £839k for Council Tax is maintained, which is regularly reviewed and if necessary will be revised in future.

### 5.2 Risk and Mitigations

It is expected that the level of debts written off in 2022/23 in some areas will vary as they are still being affected by heightened risk factors, particularly Covid 19 and also the current cost of living crisis. 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.

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

### 5.3 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.

### 5.4 Sustainable Development Goals

There are no environmental implications directly associated with this report.

### 5.5 Climate Change

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

### 5.6 Rural Proofing

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

### 5.7 Data Protection Impact Statement

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

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

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

## 6 CONSULTATION

- 6.1 Director – Finance & Corporate Governance, 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

**Suzy Douglas**  
**Acting Chief Financial Officer**

**Signature.....**

### Author(s)

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### Background Papers:

**Previous Minute Reference:** Executive Committee 18 January 2022

**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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