
CORPORATE DEBTS – WRITE OFFS IN 2022/23

Report by Acting Chief Financial Officer
EXECUTIVE COMMITTEE

13 JUNE 2023

1 PURPOSE AND SUMMARY

- 1.1 **As required by the Financial Regulations, this report details the aggregate amounts of debt written off during 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 increased from £0.39m in 2021/22 to £0.66m in 2022/23.
- 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 **I recommend that the Executive Committee note the debtor balances written off during 2022/23.**

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.
- 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 fulfils that remit for financial year 2022/23.

4 LEVEL OF WRITE OFFS

- 4.1 The total net amounts which were written off during 2022/23 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)
	2020/21	2021/22	2022/23
Council Tax	294.9	209.4	242.0
Non Domestic Rates	140.6	-0.76	282.9
Sundry Debts	199.20	166.4	100.0
Housing Benefit Overpayments	91.04	16.5	37.4
Aged debt from balance sheet	0	0	0
Total	726.1	391.54	662.3

- 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 change in administrative practices, 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 2022/23 have increased in comparison to 2021/22. This was expected as resource previously directed to deal with the administration of Covid Business Grants and COLP payments has returned to business as usual. The highest value of write-offs for Council Tax in 2022/23 is within the Deceased category where the Estate has confirmed there are no funds available to recover the sums due. There continue to be issues accessing personal bankruptcy cases which has been escalated to the appropriate portal providers. This could see a significant shift in the figures in the coming reports due to clearing the backlog of these cases once the issue is resolved.
- 4.5 It was expected that the level of Write Offs for Non-Domestic Rates would dramatically increase in 2022/23 in comparison with 2021/22 as resource had been directed to deal with the administration of Covid Business Grants and COLP payments in 2021/22 with no active recovery action being taken. The highest value of write-offs for Non-Domestic Rates in 2022/23 is within the Insolvency category where the ratepayer has become bankrupt or dissolved the company and there are no funds available to recover the sums due.
- 4.6 The amount of Housing Benefit overpayments written off has increased as staff have been able to refocus attention on historical debt as per pre-Covid. 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. The amount of Sundry Debt currently owed to the Council, and deemed to be at risk, presently stands at £0.92m. The Bad Debt Provision as at 31 March 2023 stands at £0.91m with an additional £0.12m to be added in 2023/24.

5 ANALYSIS OF WRITE OFFS

5.1 Council Tax

Table 2 shows the Council Tax debts which have been written off in 2022/23 and have been categorised by reason for the write off:-

Table 2

Reason for Write Off	Council Tax – net amounts written off 2021/22 (£)	No. of transactions	Council Tax – net amounts written off 2022/23 (£)	No. of transactions
Small balance (less than £10)	2,362	2778	-3,195	1178
Surcharges	21,372	1038	25,111	1015
Deceased	74,031	323	159,249	773
No Forwarding Address	32,590	150	18,204	162
Insolvency	72,283	264	33,449	205
Miscellaneous	6,749	257	9,227	75
Total	209,387	4,810	242,045	3,408

5.2

Non Domestic Rates

Table 3 shows the Non Domestic Rates debts which have been written off in 2022/23 and have been categorised by the reason for the write off:-

Table 3

Reason for Write Off	Non Domestic Rates – net amounts written off 2021/22 (£)	No. of transactions	Non Domestic Rates – net amounts written off 2022/23 (£)	No. of transactions
Small balance (less than £10)	37	22	-135	53
Surcharges	0	0	20,778	32
Deceased	0	0	18,717	1
No Forwarding Address	-44	2	-534	4
Insolvency	0	0	190,071	31
Miscellaneous	-755	12	54,075	11
Total	-762	36	282,972	132

5.3 Sundry Debt

The total amount of Sundry Debts written off in 2022/23 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 were previously reported by individual services. To bring the report in line with Council Tax and NDR, reporting is now by categories.

Table 4

Service	Net amount written off (£)		
	2020/21	2021/22	2022/23
Chief Executive	54,051		
People	100,213		
Place	44,912		
Deceased		5,192	42,799
Unable to Trace		1,428	1,799
Bankruptcy & Liquidation		103,022	27,051
Uneconomical to Pursue		856	2,718
Credit Amounts		-3,569	0
Sheriff Officer unable to recover		8,692	13,347
Time Barred		57,927	12,365
Write Backs		-7,123	0
Total	199,176	166,425	100,079

6 IMPLICATIONS

6.1 Financial

An annual budget provision for sundry bad debts of £125k and £843k 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 2022/23 is significantly higher than 2021/22, due mainly to resources that had been directed to deal with the impact of Covid 19 now directed at the recovery of Non-Domestic Rates. 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 £0.92m 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.

6.4 **Sustainable Development Goals**

There are no economic, social or environmental effects arising from the proposals contained in this report

6.5 **Climate Change**

There are no effects on climate change arising from the proposals contained in this report

6.6 **Rural Proofing**

There are no effects on rural proofing arising from the proposals contained in this report.

6.7 **Data Protection Impact Statement**

There are no personal data implication 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 Interim Chief Officer Corporate Governance (and Monitoring Officer), the Chief Officer Audit and Risk, the Director People, Performance & Change, the Clerk to the Council and Corporate Communications are being consulted on this report and any comments received will be incorporated into the final report.

Approved by

Suzanne Douglas
Acting Chief Financial Officer

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Background Papers:

Previous Minute Reference:

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