

UNCOLLECTABLE DEBTS IN EXCESS OF £10,000
COUNCILLOR DAVID SEATON, CABINET MEMBER FOR FINANCE
March 2020
Deadline date: 11 March 2020

Cabinet portfolio holder: Responsible Director:	Councillor David Seaton, Cabinet Member for Finance. Peter Carpenter, Acting Director of Corporate Resources
Is this a Key Decision?	YES If yes has it been included on the Forward Plan: Yes Unique Key decision Reference from Forward Plan: KEY/16SEPT19/01
Is this decision eligible for call-in?	YES
Does this Public report have any annex that contains exempt information?	NO
Is this a project and if so has it been registered on Verto?	NO

R E C O M M E N D A T I O N S
The Cabinet Member is recommended to authorise the write off of the debt shown as outstanding in respect of non-domestic rates, council tax, housing benefit overpayments and accounts receivable (sundry debt) accounts included in the Appendices. This details the financial year and the category for the write off request.

1. SUMMARY OF MAIN ISSUES

- 1.1 This report seeks the Cabinet Member's approval to write-off uncollectable debts that exceed £10,000 in relation to non-domestic rates, council tax, housing benefit overpayments and accounts receivable (sundry debt), as detailed in the appendices to this report. The aggregate total value of these debts is £2,157,163.
- 1.2 All cases requested for write-off follow a lengthy process to recover the outstanding money, sometimes dating back many years. Only once all avenues have been exhausted will the council consider writing off debt.
- 1.3 It is acknowledged that given the high volume and value of invoices and bills issued there will always be a requirement to write off an element of debt as uncollectable.

- 1.4 The largest type of debt raised each year is business rates (currently just in excess of £100 million per annum), followed by council tax at just over £90 million per year. When the sum recommended for write off for all debt is expressed as a percentage of the total debt raised over the period, it represents only 0.10%. If debts less than £10,000 are also included, the total percentage written off is only 0.16% of the total debt raised.

2. PURPOSE OF THIS REPORT

- 2.1 This report is for the Cabinet Member for Finance to consider exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (i).

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO
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4. DETAILS OF DECISION REQUIRED

- 4.1 The Cabinet Member for Resources is requested to approve the write off of uncollectable debt in excess of £10,000. These debts relate to non-domestic rates, council tax, housing benefit overpayments and accounts receivable (sundry debt) accounts.

Financial Context

- 4.2 The Council is committed to taking all appropriate action necessary before considering a debt for write off. This includes multiple written reminder letters early in the recovery process, telephone call follow up, senior management dialogue with counterparts, and where necessary, court and enforcement agent action. It can take several years before all actions have been undertaken.
- 4.3 Per annum, the Council currently expects to receive approximately £100m in non-domestic rates and in excess of £50m of sundry invoice income. In addition, the Council receives significant income from operational activity with other public sector organisations, including approximately £14m per annum from the Clinical Commissioning Group (CCG). As a result of activity on this scale, the Council recovers millions of pounds every year in unpaid debt, sometimes dating back years, due to being persistent in recovery activity.
- 4.4 Despite our best endeavours, it is inevitable that a small percentage of debt will not be collected and will ultimately have to be written off. There are a number of reasons why this occurs with the most common being where a company has gone into liquidation, an individual has been made bankrupt, a debtor has died with no funds available, or where it has not been possible to trace a debtor. It is very common for large organisations in both the public and private sectors to incur debt, and the Council is no different in that respect. Writing off debt is standard practice and recommended as part of good budget management.
- 4.5 In addition to the balances to be written off as part of this report, debts with a value less than £10,000 also require write-off consideration. While not forming part of this governance process (due to delegation limits as part of the Council's financial regulations), the values are shown in Appendix 2 for completeness and overall context.

5. CONSULTATION

- 5.1 Consultation between relevant Council Officers, the Head of Finance, the Local Taxation section and key Heads of Service within the Peterborough-Serco Strategic Partnership was undertaken to provide the relevant information for this report.

6. ANTICIPATED OUTCOMES

- 6.1 It is anticipated that the Cabinet Member for Finance will approve the write-off of the debt amounts summarised in Appendix 1.

7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION

- 7.1 In all cases included in this Cabinet Member Decision Notice the authorisation for write-off is requested due to one of the following scenarios:

- a company being placed into administration of liquidation;
- the ratepayer is an individual being made bankrupt;
- the ratepayer is deceased with no further income due from the estate;
- following extensive enquiries being made it has not been possible to trace the debtor and therefore collect payment; or
- all recovery options/ activity have been exhausted.
- the entity/ organisation is now defunct due to restructuring
- the debt is Statute Barred due to time limitation

- 7.2 Where debt being written off is in relation to companies that have gone into administration/ individuals being made bankrupt, proof of debt has been lodged with the Administrators or Liquidators in all appropriate cases and either it has been confirmed that no dividend is payable or a final dividend payment has been received. Recovery action has therefore been exhausted and there is no further action that can be taken to obtain any further payments in relation to the debt. Table 2 in Appendix 1 summarises the rationale for the different reasons for write off decisions by year and by value.

- 7.3 The majority of the aged debt outlined in Appendix 1 has been fully provided for in the council's debt provisions in accordance with the council's debt provision policies, local accounting procedures and statutory accounting regulations. As a result, the impact on the Council's revenue position as a result of this write off exercise is £75,116. All debt recovery actions available to the council must be exhausted before outstanding debt can be recommended for write-off.

- 7.4 To further strengthen its debt collection procedures, the Council has now implemented a robust end-to-end accounts receivable process, including ensuring that all future debt write off exercises take place on a quarterly basis. This report represents the final quarterly exercise for 2019-20.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The alternative option is to not write off this debt but this would result in an uncollectable debt continuing to be shown as outstanding with a bad debt provision for this debt. Once a debt is no longer collectable it should be written off in the Council's accounts and the debt provision adjusted accordingly.

- 8.2 All other alternative options available to the Council to collect the debt have already been undertaken before making a decision to recommend a debt for write off.

9. IMPLICATIONS

- 9.1 Financial and legal implications have been included within this report.

- 9.2 Section 151 of the Local Government Act 1972 requires a local authority to make arrangements for the proper administration of their financial affairs and the write-off of debts falls within such duties.

9.3 There are no equalities implications arising from the recommendation.

Carbon Impact Assessment

9.4 A Carbon Impact Assessment of this decision has been carried out and it is considered that there is no/ negligible impact of implementing this decision.

10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

None

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985 and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

There are no documents.

12. APPENDICES

Appendix 1 - Debt Write-Offs With A Value Over £10,000 by type

Appendix 2 - Debt Write-Offs With A Value Over £10,000 by write-off rationale

Appendix 3 - Debt Write-Offs With A Value Under £10,000 (for information only)

Appendix 1 - Debt Write-Offs With A Value Over £10,000

Table 1: By financial year and % of debt type raised

Financial Year	Non Domestic Rates (inc costs of collection)			Council Tax (inc costs of collection)			Housing Benefit Overpayment			Sundry Debt		
	Write-off (£)	Debt raised in year (£)	Write-off (%)	Write-off (£)	Debt raised in year (£)	Write-off (%)	Write-off (£)	Debt raised in year (£)	Write-off (%)	Write-off (£)	Debt raised in year (£)	Write-off (%)
Up To 2008/09	-	-	-	27,746	-	-	-	-	-	72,444	-	-
2009/10	-	86,843,886	0.00%	25,323	60,755,510	0.04%	-	1,807,500	0.00%	24,757	51,430,000	0.05%
2010/11	46,008	84,526,730	0.05%	8,155	62,681,765	0.01%	1,080	2,179,137	0.05%	18,388	51,450,000	0.04%
2011/12	49,084	89,444,197	0.05%	12,114	63,452,470	0.02%	-	2,226,296	0.00%	49,611	47,270,000	0.10%
2012/13	78,457	92,745,954	0.08%	6,602	65,889,575	0.01%	-	2,722,511	0.00%	457,989	48,540,000	0.94%
2013/14	82,819	94,532,290	0.09%	10,701	71,080,446	0.02%	15,958	3,252,342	0.49%	50,143	46,140,000	0.11%
2014/15	58,214	96,008,318	0.06%	12,308	73,109,247	0.02%	-	4,691,218	0.00%	35,727	45,140,000	0.08%
2015/16	86,606	100,664,032	0.09%	3,795	74,846,674	0.01%	29,771	3,990,404	0.75%	6,932	54,270,000	0.01%
2016/17	72,626	101,768,770	0.07%	2,776	79,093,000	0.00%	14,199	3,936,724	0.36%	3,761	59,620,000	0.01%
2017/18	57,215	100,459,326	0.06%	1,938	84,378,529	0.00%	-	4,599,730	0.00%	12,277	58,210,000	0.02%
2018/19	71,130	101,527,035	0.07%	145	91,117,767	0.00%	13,657	2,779,819	0.49%	13,605	47,900,000	0.03%
2019/20	615,317	-	-	-	-	-	-	-	-	7,785	-	-
Total	1,217,476	948,520,538	0.11%	111,603	726,404,983	0.02%	74,665	32,185,681	0.23%	753,419	509,970,000	0.15%

Table 2: By financial year and write-off rationale

Financial Year	Company/ ratepayer placed into Administration/ Liquidation/ Bankruptcy/ Entered into a CVA	Old Entity (NHS restructuring) - organisation is now defunct	Other - legacy/ disputed debts/ incomplete records	Recovery action exhausted	Statute Barred	The ratepayer is deceased with no further income due from the estate	Unable to trace the debtor and collect payment	Total
Up to 2008/09	24,423	45,836	7,607			19,000	3,322	100,188
2009/10	23,193	7,181			9,700	7,876	2,129	50,079
2010/11	53,960	5,797	11,950		641		1,283	73,631
2011/12	64,592	458			38,970	4,544	2,246	110,810
2012/13	96,802	416,922	9,648		10,810	6,485	2,381	543,048
2013/14	88,280	8,681	20,760		15,242	8,322	18,337	159,622
2014/15	68,238		21,317			15,458	1,236	106,249
2015/16	88,406		1,093			7,835	29,771	127,105
2016/17	72,626			14,199		6,537		93,362
2017/18	57,215	3,164	4,467			6,583		71,429
2018/19	71,130		6,521	13,657		7,230		98,538
2019/20	615,317		2,792			4,993		623,102
Total	1,324,182	488,039	86,155	27,856	75,363	94,863	60,705	2,157,163

Appendix 2 - Debt Write-Offs With A Value Under £10,000

Financial Year	Council Tax (inc costs of collection)			Housing Benefit Overpayment			Sundry Debt		
	Write-off (£)	Debt raised in year (£)	Write-off (%)	Write-off (£)	Debt raised in year (£)	Write-off (%)	Write-off (£)	Debt raised in year (£)	Write-off (%)
Up To 2008/09	154,435	-	-	57,079	-	-	12,797	-	-
2009/10	18,922	60,755,510	0.03%	39,980	1,807,500	2.21%	13,506	51,430,000	0.03%
2010/11	18,235	62,681,765	0.03%	47,894	2,179,137	2.20%	23,016	51,450,000	0.04%
2011/12	18,083	63,452,470	0.03%	45,396	2,226,296	2.04%	28,728	47,270,000	0.06%
2012/13	20,152	65,889,575	0.03%	86,709	2,722,511	3.18%	23,356	48,540,000	0.05%
2013/14	24,355	71,080,446	0.03%	106,058	3,252,342	3.26%	39,155	46,140,000	0.08%
2014/15	29,741	73,109,247	0.04%	141,166	4,691,218	3.01%	15,413	45,140,000	0.03%
2015/16	43,463	74,846,674	0.06%	43,004	3,990,404	1.08%	14,555	54,270,000	0.03%
2016/17	52,616	79,093,000	0.07%	29,142	3,936,724	0.74%	6,230	59,620,000	0.01%
2017/18	62,579	84,378,529	0.07%	35,036	4,599,730	0.76%	15,093	58,210,000	0.03%
2018/19	43,818	91,117,767	0.05%	15,356	2,779,819	0.55%	3,511	47,900,000	0.01%
2019/20		-	-	2,085	-	-	2,053	-	-
Total	486,399	726,404,983	0.07%	648,905	32,185,681	2.02%	197,413	509,970,000	0.04%