

CABINET	AGENDA ITEM No. XX
16 JANUARY 2023	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director of Corporate Services and S151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance.	
Contact Officer(s):	Chris Yates – Acting Head of Finance (Corporate Services)	Tel. 01733 384552

IRRECOVERABLE DEBTS IN EXCESS OF £10,000

RECOMMENDATIONS	
FROM: Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance.	Deadline date: 16 th January 2023
<p>It is recommended that Cabinet:</p> <p>1. Authorise the write-off of the debt shown as outstanding in respect of Non-Domestic (Business) Rates, Council Tax, Accounts Receivable (sundry debt) accounts and Housing Benefit overpayments, included in the Appendices to this report (which detail the financial year and the category for the write-off request).</p>	
<p>Summary:</p> <p>The total value of irrecoverable debts outlined in this report is £4,783,391. However, it should be noted that although there have been some smaller write-off exercises since January 2021 (primarily focussing on Sundry Debt), this is the first significant write-off of Non-Domestic Rates since March 2020, after witnessing the economic impact of Covid-19 on businesses in the area (79% of the total balance relates to irrecoverable Non-Domestic Rates).</p> <p>Each year, the Council sets aside a provision for bad and doubtful debt, and the write-off of irrecoverable debt is made against this provision. The current provision covers 99.92% of the irrecoverable debt, meaning the impact on the Council's current year's budget is only £3,637.</p> <p>All debt recovery action available to the Council must be exhausted before outstanding debt can be recommended for write-off. Despite our best endeavours, it is inevitable that a small percentage of debt will not be collected, and the authorisation for write-off is requested due to one of the following reasons:</p> <ul style="list-style-type: none"> • the individual/ company being made insolvent/ bankrupt; • recovery action attempted but no longer enforceable under the Limitation Act 1980 (Statute Barred); • the ratepayer is deceased with no further income due from the estate; and • the result of legal processes/ negotiations/ disputes concluding <p>It means the Council has no prospect of recovery. Writing off irrecoverable debts should be an annual housekeeping exercise; it is standard practice in local government and part of good financial management. The write-off value represents only 0.15% of the total debt raised over the period.</p>	

1.	ORIGIN OF REPORT		
1.1	This report is submitted to Cabinet following referrals from CLT on 23 rd November 2022 and the 21 st December 2022, and Cabinet Policy Forum on the 19 th December.		
2.	PURPOSE AND REASON FOR REPORT		
2.1	The purpose of this report is for Cabinet to approve the write-off of irrecoverable debt in excess of £10,000.		
2.2	This report is for Cabinet to consider under its Terms of Reference No. 3.2.1, <i>'To take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services,'</i> and No. 3.2.2, <i>'To take collective responsibility for any Executive decision that has significant implications across two or more portfolios.'</i>		
2.3	The specific detail relating to these debts is NOT FOR PUBLICATION in accordance with paragraph (s) 3 of Schedule 12A of Part 1 of the Local Government Act 1972 in that it contains information relating to the financial and business affairs of individuals. The public interest test has been applied to the information contained within the exempt annex and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it as to do so would disclose personal and private information without the written consent of the individuals.		
3.	TIMESCALES		
	Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting
			N/A
4.	BACKGROUND AND KEY ISSUES		
4.1	The Council is committed to taking all necessary action 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 action. It can take several years before all actions have been undertaken.		
4.2	The Council expects to receive approximately £100m in non-domestic rates annually, £100m for Council Tax, and in excess of £60m of sundry debt income. As a result of activity on this scale, the Council recovers millions of pounds every year relating to previous years' debt, sometimes dating back several years, due to persistent recovery activity.		
4.3	Despite our best endeavours, it is inevitable that a small percentage of debt will remain uncollected and will ultimately have to be written off. There are a number of reasons why this happens, 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 within the estate, or where it has not been possible to trace a debtor. Over the last 2 years, there has also been the impact of the Covid-19 pandemic on individuals and businesses across the local economy. Writing off irrecoverable debt is a necessary management tool, standard practice and recommended as part of good financial management.		
4.4	The balance being written off in this report is a significant sum, however, this is mainly due to almost no write-off of Non-Domestic Rate debt during the Covid-19 pandemic. This report reviews those irrecoverable debts (and any associated balances from prior years), plus any in relation to Council Tax, Housing Benefit overpayments and Sundry Debt, and the resulting amount to be written off in this report represents 0.15% of total debt raised over the period covered.		

5.	CORPORATE PRIORITIES
5.1	Writing off irrecoverable debts is standard practice and recommended as part of good financial management. While not directly impacting on the Council's Corporate Priorities, it is an important part of authority's financial governance and ensuring that the Council has robust financial reporting.
6.	CONSULTATION
6.1	Consultation between relevant Council Officers, 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.
6.2	This report has been considered at Budget Corporate Leadership Team (CLT) and Cabinet Policy Forum. The report will also be taken to Audit Committee in January 2023 for information.
7.	ANTICIPATED OUTCOMES OR IMPACT
7.1	It is anticipated that Cabinet will approve the write-off of the debt amounts summarised in Appendix 1.
8.	REASON FOR THE RECOMMENDATION
8.1	The authorisation for write-off is requested due to one of the following scenarios: <ul style="list-style-type: none"> • the individual/ company being made insolvent/ bankrupt; • recovery action attempted but no longer enforceable under the Limitation Act 1980 (Statute Barred); • the ratepayer is deceased with no further income due from the estate; and • the result of legal processes/ negotiations/ disputes concluding
8.2	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.
9.	ALTERNATIVE OPTIONS CONSIDERED
9.1	The alternative option is to not write off this debt. This would result in irrecoverable debts continuing to be shown as outstanding, with a bad debt provision apportioned to these balances. It should be noted that once a debt is no longer collectable it should be written off in the Council's accounts and the debt provision adjusted accordingly.
9.2	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.
10.	IMPLICATIONS
	Financial Implications
10.1	The majority of the aged debt outlined in Appendix 1 has been fully provided for in the council's bad debt provision in accordance with the council's debt provision policies, local accounting

	<p>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 £3,637.</p> <p>All debt recovery actions available to the council must be exhausted before outstanding debt can be recommended for write-off</p>
	Legal Implications
10.2	Debt recovery processes have been exhausted. The debts are deemed irrecoverable and recommended for write off.
	Equalities Implications
10.3	There are no equalities implications arising from the recommendation.
11.	BACKGROUND DOCUMENTS Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985
11.1	There are no further documents apart from the exempt annex.
12.	APPENDICES
12.1	Appendix 1 - Debt Write-Offs With A Value Over £10,000 by type Appendix 2 - Exempt Annex – Not For Publication

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

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

	Non Domestic Rates			Council Tax			Housing Benefit Overpayments			Sundry Debt		
Financial Year	Write-off (£)	Debt raised in year (£)	Write-off in-year %	Write-off (£)	Debt raised in year (£)	Write-off in-year %	Write-off (£)	Debt raised in year (£)	Write-off in-year %	Write-off (£)	Debt raised in-year (£)	Write-off in-year %
Up to 2008/09	91,548	-	-	7,109	-	-	-	-	-	-	-	-
2009/10	24,689	86,843,886	0.028%	860	60,755,510	0.001%	-	1,757,300	0.000%	-	51,430,000	0.000%
2010/11	92,482	84,526,730	0.109%	1,091	62,681,765	0.002%	-	2,136,189	0.000%	-	51,450,000	0.000%
2011/12	83,093	89,444,197	0.093%	1,500	63,452,470	0.002%	-	2,182,339	0.000%	-	47,270,000	0.000%
2012/13	101,056	92,745,954	0.109%	980	65,889,575	0.001%	-	2,632,518	0.000%	-	48,540,000	0.000%
2013/14	302,718	94,532,290	0.320%	2,192	71,080,446	0.003%	-	3,224,687	0.000%	-	46,140,000	0.000%
2014/15	283,949	96,008,318	0.296%	2,660	73,109,247	0.004%	10,409	4,680,398	0.222%	-	45,140,000	0.000%
2015/16	350,315	100,664,032	0.348%	3,071	74,846,674	0.004%	-	3,975,023	0.000%	21,632	54,270,000	0.040%
2016/17	337,609	101,768,770	0.332%	2,916	79,093,000	0.004%	-	3,904,982	0.000%	2,200	56,610,000	0.004%
2017/18	399,143	100,459,326	0.397%	2,123	84,378,529	0.003%	-	4,499,133	0.000%	14,304	56,914,648	0.025%
2018/19	452,556	101,527,035	0.446%	752	91,117,767	0.001%	-	2,700,796	0.000%	8,850	67,843,815	0.013%
2019/20	458,786	101,497,506	0.452%	2,679	96,952,073	0.003%	-	1,638,449	0.000%	10,278	68,726,462	0.015%
2020/21	705,528	62,978,022	1.120%	2,780	100,606,009	0.003%	-	1,066,060	0.000%	896,144	69,698,833	1.286%
2021/22	82,697	85,618,470	0.097%	2,764	108,506,511	0.003%	-	1,634,715	0.000%	9,683	49,443,624	0.020%

2022/23	10,051	100,815,602	0.010%	194	113,239,911	0.000%	-	515,557	0.000%	-	40,827,325	0.000%
Total	3,776,220	1,299,430,138	0.291%	33,671	1,145,709,487	0.003%	10,409	28,992,570	0.036%	963,091	754,304,707	0.128%

Table 2: By financial year and write-off rationale

Financial Year	Company/ ratepayer placed into Administration/ Liquidation/ Bankruptcy	Disputed Debts/ Statute barred - recovery action attempted but no longer enforceable under the Limitation Act 1980	Other – service transfers/ commercial agreement/ negotiation	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	2,517	96,140	-	-	-	98,657
2009/10	-	25,549	-	-	-	25,549
2010/11	17,715	75,253	-	605	-	93,573
2011/12	8,180	75,799	-	614	-	84,593
2012/13	48,618	53,418	-	-	-	102,036
2013/14	215,755	88,245	-	910	-	304,910
2014/15	165,976	113,442	-	17,600	-	297,018
2015/16	320,364	47,346	-	7,308	-	375,018
2016/17	312,468	17,759	-	5,913	6,585	342,725
2017/18	378,505	13,605	-	18,904	4,556	415,570
2018/19	452,966	-	-	9,192	-	462,158
2019/20	460,308	-	-	11,435	-	471,743
2020/21	707,108	-	887,303	10,041	-	1,604,452
2021/22	84,203	-	-	10,941	-	95,144
2022/23	10,051	-	-	194	-	10,245
Total	3,184,734	606,556	887,303	93,657	11,141	4,783,391

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