

CABINET	AGENDA ITEM No. 11
19 JUNE 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: 19 th June 2023
<p>It is recommended that Cabinet:</p> <p>1. Authorise the write-off of the irrecoverable debt shown as outstanding in respect of Non-Domestic (Business) Rates, Council Tax, Housing Benefit Overpayments and Accounts Receivable (sundry debt) accounts 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 in excess of £10,000 outlined in this report is £2,350,991. These relate to Non-Domestic Rates, Council Tax, Housing Benefit Overpayments and Accounts Receivable (Sundry debt) balances as detailed in the appendices to this report. The write-off value represents 0.07% of the total debt raised over the period.</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 provision covers 100% of the irrecoverable debt in this report, meaning that there is no impact on the Council's current year revenue position.</p> <p>All debt recovery action available to the Council must be exhausted before outstanding debt can be recommended for write-off. It means the Council has no prospect of recovery of these balances. 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 • disputes concluding. <p>The Council is committed to reviewing debt regularly and as part of that will undertake bi-annual reviews (such as this report) for Cabinet approval. It is standard practice in local government and part of good financial management.</p>	

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet following referrals from Budget Corporate Leadership Team (CLT) on 24th May 2023 and Cabinet Policy Forum (CPF) on the 5th June 2023.

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, *'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,'* and No. 3.2.2, *'To take collective responsibility for any Executive decision that has significant implications across two or more portfolios.'*

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?	YES	If yes, date for Cabinet meeting	19/06/23
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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 £108m in non-domestic rates annually, £120m for Council Tax, and in excess of £90m 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. Writing off irrecoverable debt is a necessary management tool, standard practice and recommended as part of good financial management.

4.4 In respect of sundry debt balances being written off, 98% relates to arrangements with the National Health Service (NHS)/ Clinical Commissioning Group (CCG) - which has now become the Integrated Care Board (ICB). An agreement was reached with the ICB (CCG) in respect of disputed debts totalling £7.0m over a 7-year period. £5.3m was resolved with balances allocated to debts following detailed discussions with the ICB (CCG), leaving £1.7m requiring write-off. The reasons for the remaining disputed debts are as follows

- Joint Funding assessments between the Council's Adult Social Care service and Health service not being properly completed and signed off correctly by the Authorising Officers of both parties;

- Incorrect record keeping on the Council's Framework (MOSAIC) system with records being entered prior to ratification by the ICB (CCG), and erroneous recharges resulting;
- The ICB (CCG) changing the Continuing Healthcare Joint Funding Tool during the period 2018/2019 to 2019/2020 without advising the Council, leading to recharges not being accepted by the ICB (CCG).

4.5 The Council has set-a-side full provision for these debts requiring write-off. It should be noted that the Council has worked closely with Health colleagues to resolve these issues and to put effective measures in place to ensure that we have a robust process going forward. Adult Social Care completed an internal review of the end-to-end process of Continuing Health Care and joint funded packages which included work steps on Mosaic to mitigate against future disputes with the ICB. The ICB now formally write to Adult Social Care to confirm funding for individual cases as well as implementing a robust disputes process.

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 for information on the 24th July 2023.

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:

- 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 All 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 procedures and statutory accounting regulations. As a result, there is no impact on the Council's revenue position as a result of this write-off exercise.

All debt recovery actions available to the council must be exhausted before outstanding debt can be recommended for write-off.

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