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| CABINET | AGENDA ITEM No. 5 |
| 6 AUGUST 2024 | PUBLIC REPORT |

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| Report of: | Cecilie Booth, Executive Director of Corporate Services and S151 Officer | |
| Cabinet Member(s) responsible: | Councillor Amjad Iqbal, Deputy Leader and Cabinet Member for Corporate Governance and Finance | |
| Contact Officer(s): | Chris Yates – Head of Finance (Corporate Services) | |

IRRECOVERABLE DEBTS IN EXCESS OF £10,000

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|--|---|
| RECOMMENDATIONS | |
| FROM: Councillor Amjad Iqbal, Deputy Leader and Cabinet Member for Corporate Governance and Finance | Deadline date: 6 th August 2024 |
| <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 Sundry Debt accounts. The total value of irrecoverable debts in excess of £10,000 outlined in this report is £1,250,801.</p> | |

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet following referrals from Budget Corporate Leadership Team (CLT) on 9th July 2024.

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.’*

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 £120m in Non-Domestic rates annually, £130m 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 The following table summarises the write off value as recommended within this report over the four key debt categories, for the financial years 2011 to 2025.

| Debt | £ |
|-----------------------------|------------------|
| Non-Domestic Rates | 972,484 |
| Council Tax | 70,530 |
| Housing Benefit Overpayment | 50,280 |
| Sundry Debt | 157,507 |
| Total | 1,250,801 |

Appendix 1 summarises the rationale for the different reasons for write-off decisions by year and by value, and against the original debt raised.

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 was undertaken to provide the relevant information for this report.
- 6.2 This report has been considered at Budget Corporate Leadership Team (CLT).

The report will also be taken to Audit Committee for information on the 9th September 2024.

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/ dissolved;
 - recovery action attempted but no longer enforceable under the Limitation Act 1980 (Statute Barred);
 - all recovery action has been exhausted with no prospect of recovery;
 - the ratepayer is deceased with no further income due from the estate; and
 - being unable to trace the debtor and collect payment.

- 8.2 Where debt being written off is in relation to companies that have gone into administration/ individuals being made bankrupt/ proposals to strike off etc, 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.

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 debt relating to NNDR and Council Tax is accounted for through the Collection Fund, where a calculation is made for a bad debt provision. This provision will be used to offset the financial impact as a result of this write-off. Housing Benefit Overpayment debt 3+ years old has full provision and sundry aged debt which is 5+ years old has 90% Bad Debt Provision coverage.

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

Legal Implications

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

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 - Irrecoverable Debt With A Value Over £10,000 by type

Appendix 1 – Irrecoverable Debt With A Value Over £10,000

Table 1: By financial year

| | Non-Domestic Rates | | | Council Tax | | | Housing Benefit Overpayments | | | Sundry Debt | | |
|----------------|--|-------------------------|---------------------|--|-------------------------|---------------------|--|-------------------------|---------------------|----------------------------|-------------------------|---------------------|
| Financial Year | Write-off (Inc. costs of collection) (£) | Debt raised in year (£) | Write-off in-year % | Write-off (Inc. costs of collection) (£) | Debt raised in year (£) | Write-off in-year % | Write-off (Inc. costs of collection) (£) | Debt raised in year (£) | Write-off in-year % | Write-off (£) | Debt raised in-year (£) | Write-off in-year % |
| 2011/12 | 0 | 89,444,197 | 0.000% | 702 | 63,452,470 | 0.001% | 0 | 2,182,339 | 0.000% | 0 | 47,270,000 | 0.000% |
| 2012/13 | 115,656 | 92,745,954 | 0.125% | 915 | 65,889,575 | 0.001% | 0 | 2,632,518 | 0.000% | 2,174 | 48,540,000 | 0.000% |
| 2013/14 | 855 | 94,532,290 | 0.001% | 2,443 | 71,080,446 | 0.003% | 0 | 3,224,687 | 0.000% | 0 | 46,140,000 | 0.000% |
| 2014/15 | 11,522 | 96,008,318 | 0.012% | 4,549 | 73,109,247 | 0.006% | 11,926 | 4,680,398 | 0.255% | 35,569 | 45,140,000 | 0.000% |
| 2015/16 | 31,255 | 100,664,032 | 0.031% | 5,619 | 74,846,674 | 0.008% | 0 | 3,975,023 | 0.000% | 55,932 | 54,270,000 | 0.103% |
| 2016/17 | 48,685 | 101,768,770 | 0.048% | 5,945 | 79,093,000 | 0.008% | 28,096 | 3,904,982 | 0.000% | 13,238 | 62,238,589 | 0.021% |
| 2017/18 | 45,450 | 100,459,326 | 0.045% | 7,306 | 84,378,529 | 0.009% | 10,258 | 4,499,133 | 0.000% | 14,322 | 62,295,850 | 0.023% |
| 2018/19 | 78,233 | 101,527,035 | 0.077% | 8,327 | 91,117,767 | 0.009% | 0 | 2,700,796 | 0.000% | 10,933 | 72,565,265 | 0.015% |
| 2019/20 | 124,278 | 101,497,506 | 0.122% | 8,635 | 96,952,073 | 0.009% | 0 | 1,638,449 | 0.000% | 4,084 | 74,397,999 | 0.005% |
| 2020/21 | 32,757 | 62,978,022 | 0.052% | 8,966 | 100,606,009 | 0.009% | 0 | 1,066,060 | 0.000% | 4,418 | 75,167,148 | 0.006% |
| 2021/22 | 46,147 | 85,618,470 | 0.054% | 9,390 | 108,506,511 | 0.009% | 0 | 1,634,715 | 0.000% | 4,372 | 64,977,915 | 0.007% |
| 2022/23 | 294,858 | 100,815,602 | 0.292% | 7,733 | 113,239,911 | 0.007% | 0 | 794,404 | 0.000% | 6,767 | 91,838,249 | 0.000% |
| 2023/24 | 139,249 | 104,355,239 | 0.133% | 0 | 120,103,638 | 0.000% | 0 | 1,146,478 | 0.000% | 5,698 | 90,784,009 | 0.000% |
| 2024/25 | 3,539 | 117,517,089 | 0.003% | 0 | 129,731,061 | 0.000% | 0 | 344,984 | 0.000% | 0 | 15,782,453 | 0.000% |
| Total | 972,484 | 1,349,931,850 | 0.072% | 70,530 | 1,272,106,911 | 0.006% | 50,280 | 30,085,743 | 0.167% | 157,507 | 851,407,477 | 0.018% |
| | | | | | | | | | | Total Write-Off (£) | 1,250,801 | |
| | | | | | | | | | | Write-Off % | 0.036% | |

Table 2: By financial year and write-off rationale

| Financial Year | Company/ ratepayer placed into Administration/ Liquidation/ Bankruptcy (£) | Statute barred - all recovery action attempted but no longer enforceable under the Limitation Act 1980 (£) | The ratepayer is deceased with no further income due from the estate (£) | All recovery action/ options exhausted (£) | Unable to trace the debtor and collect payment (£) | Total (£) |
|----------------|--|--|--|--|--|------------------|
| 2011/12 | 0 | 0 | 0 | 702 | 0 | 702 |
| 2012/13 | 57,866 | 57,790 | 0 | 3,089 | 0 | 118,745 |
| 2013/14 | 312 | 0 | 0 | 2,131 | 855 | 3,298 |
| 2014/15 | 6,617 | 0 | 11,926 | 38,820 | 6,203 | 63,566 |
| 2015/16 | 20,716 | 0 | 0 | 64,408 | 7,682 | 92,806 |
| 2016/17 | 15,877 | 0 | 28,096 | 32,094 | 19,897 | 95,964 |
| 2017/18 | 24,930 | 0 | 10,258 | 33,552 | 8,596 | 77,336 |
| 2018/19 | 44,181 | 0 | 0 | 36,229 | 17,083 | 97,493 |
| 2019/20 | 108,979 | 0 | 80 | 17,319 | 10,619 | 136,997 |
| 2020/21 | 33,070 | 0 | 4,418 | 8,653 | 0 | 46,141 |
| 2021/22 | 13,396 | 0 | 4,372 | 42,141 | 0 | 59,909 |
| 2022/23 | 18,013 | 0 | 4,229 | 287,116 | 0 | 309,358 |
| 2023/24 | 69,932 | 0 | 0 | 75,015 | 0 | 144,947 |
| 2024/25 | 3,539 | 0 | 0 | 0 | 0 | 3,539 |
| Total | 417,428 | 57,790 | 63,379 | 641,269 | 70,935 | 1,250,801 |