

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 6 th September 2023
Subject:	Unrecoverable Debts over £10,000		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No - but the appendices to the report are NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. The Public Interest Test has been applied and favours the information being treated as exempt		

Summary:

As outlined within the Council's Schemes of Financial Delegation, all outstanding debts over £10,000 cannot be written off without the approval of the Audit and Governance Committee.

The report sets out, at 1.2 below, that the Council was unable to follow a business-as-usual debt management programme, including the writing-off of bad debt, due to restrictions in place during the pandemic. Therefore, this is the first report requesting approval to write-off unrecoverable debt for some time and so amounts are higher than would usually be considered by the Committee.

The Committee is asked to approve the write off the debts listed in Appendices A, B and C to this report.

Recommendation:

To approve the write off of all individual debts detailed in the appendices to this report. The total amount for write off is £1,380,751.94.

Reasons for the Recommendation(s):

The debts detailed in the Appendices have all been assessed on an individual basis as all means of recovery have been exhausted. These debts are now considered to be irrecoverable and are recommended for write off.

Approval will ensure uncollectable debt will be removed from the system.

Alternative Options Considered and Rejected: (including any Risk Implications)

Not to write off the debt.

What will it cost and how will it be financed?

(A) Revenue Costs

The Council maintains provisions for bad debts for the four main areas of debt. These are re-evaluated at the end of each financial year to take account of the amounts collected in the year, new debt raised in the year, changes in economic conditions. Current provisions are more substantial than would otherwise be the case due to minimal amounts of debt being written off since the COVID-19 pandemic.

The amounts proposed for write off set out within this report are within the provisions set aside for bad debts as shown in the table at 3.1 below.

(B) Capital Costs

Not Applicable

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):	
None	
Legal Implications:	
None	
Equality Implications:	
There are no equality implications.	
Impact on Children and Young People:	
No	
Climate Emergency Implications:	
The recommendations within this report will	
Have a positive impact	No
Have a neutral impact	Yes
Have a negative impact	No
The Author has undertaken the Climate Emergency training for report authors	Yes
There are no climate emergency implications in this report.	

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Not applicable.
Facilitate confident and resilient communities: Not applicable.

Commission, broker and provide core services: Not applicable.
Place – leadership and influencer: Not applicable.
Drivers of change and reform: Not applicable.
Facilitate sustainable economic prosperity: Not applicable.
Greater income for social investment: Not applicable.
Cleaner Greener Not applicable.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD7316/23) and the Chief Legal and Democratic Officer (LD5516/23) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Not Applicable.

Implementation Date for the Decision

Immediately following the Committee / Council meeting.

(Please delete as appropriate and remove this text)

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Appendices

The following appendices are attached to this report:

- Appendix A - Business Rates debts over £10,000.
- Appendix B - Sundry Debt debts over £10,000.
- Appendix C – Housing Benefit Overpayment debts over £10,000.

Background Papers

Write Off terms of reference are attached to this report.

1. Introduction/Background

- 1.1 The Council seeks to limit the level of debt that is written off and every effort is also made to ensure that collection levels remain high. For this reason, a Debt Working Group was formed in 2019, led by the Executive Director of Corporate Resources and Customer Services consisting of key staff from the legal, financial management and revenues teams. The aim of the group was to scrutinise all aspects of the Council's policy and operational procedures in relation to debt management, including write-off of unrecoverable debt, to identify improvements to working practices to enhance debt recovery.
- 1.2 The work of the Group was curtailed during the 2020-2022 period due to the need to prioritise tasks associated with supporting residents and businesses through the COVID-19 pandemic. In addition, to fully comply with Government and Public Health England advice to minimise the spread of the virus and provide those most impacted with appropriate support and breathing space, the Civil Enforcement Agency (CIVEA) suspended enforcement visits in March 2020, with all other activity such as the issuing of notices of enforcement, reminder letters and outbound calls being severely reduced. Other than "light touch" collection activity, which mainly consisted of encouraging those having difficulty making payments to get in touch for advice, the Council was unable to continue with a business-as-usual debt management programme, including writing off bad debt, as restrictions in place meant that it was not possible to exhaust all collection and enforcement options as outlined below at 2.1. For these reasons, there is now a backlog of bad debt identified for submission for write-off that the Audit and Governance Committee will be asked to consider at future meetings.
- 1.3 The Council has taken a number of steps in recent months in order to re-introduce a regular programme of write-off of bad debt as follows: -
- The Corporate Debt Policy has been reviewed and updated in terms of legislation and process. The objectives of the Policy are cost effective income collection and recovery that is sensitive to the needs of people and businesses in our community. [Corporate Debt Policy \(sefton.gov.uk\)](https://sefton.gov.uk/corporate-debt-policy)
 - A report was provided to the Council's Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services) on 13th June 2023 setting out the current position, actions taken to collect and enforce debt, bad debt provision and the risks in managing the Council's debt position. The report also explained that in line with the Council's constitution, the Audit and Governance Committee would be asked to recommence reviewing requests to write-off bad debts over £10,000, with the S151 Officer and Monitoring Officer reviewing requests under £10,000.
- 1.4 The Council collected income of over £281.65m during 2022/23 which included:
- £177.6m in Council Tax,
 - £67.8m in Business Rates,
 - £35.8m Sundry Income, and
 - £0.45m Housing Benefit overpayments.

For 2023/24, the forecast for collectable debits i.e., billed amounts, is £334.8m. As at the 30th June 2023 this comprises of:

- £197.5m in Council Tax,
- £66.6m in Business Rates,
- £70m Sundry Income, and
- £0.7m – Housing Benefit overpayment.

1.5 The table below shows the percentage collection rate for Council Tax and Business Rates by the Council over the last decade. These collection rates compare favourably to all metropolitan local authorities nationally and neighbouring Liverpool City Region authorities: -

Council Tax		Business Rates	
Year	Collection Rate	Year	Collection Rate
2014	96.30%	2014	98.40%
2015	96.20%	2015	99.30%
2016	96.30%	2016	99.30%
2017	96.30%	2017	98.70%
2018	96.00%	2018	99.22%
2019	95.81%	2019	98.34%
2020	94.98%	2020	96.35%
2021	94.82%	2021	97.30%
2022	95.00%	2022	99.37%
2023	32.17 as at the 17/7/23	2023	36.75% as at the 17/7/23

1.6 All debts, taxes and rates are actively pursued and, in most instances, are collected with little difficulty. As a result, debts are monitored to ensure they are collected in the most efficient and economical manner and are only considered for write off where all means of recovery have been exhausted. This report details those sums that are over £10,000 in value and recommended for write off as a result of recovery processes having been completed.

2. Recovery Procedures Undertaken

2.1 For those sums where a payment is outstanding the following recovery actions are undertaken: -

- Bill / Invoice sent.
- Reminder sent.
- Final Notice sent.
- Summons sent.
- Liability Order granted at Magistrates Court for Council Tax /NNDR.
- Telephone debt chasing to make arrangements to pay.
- In appropriate cases, home visits are made to make arrangements to pay.
- 14 Day Warning Letter or Letter before action sent.
- Cases referred to Enforcement Agents or Debt Collectors.
- Charging Orders and Land Charges are obtained against the property if appropriate. However, the vast majority of businesses in Sefton are in leased properties.
- Statutory Demands issued for Bankruptcy proceedings.

2.2 If a person or business is having difficulty making the payment, special arrangements are used to effect recovery, and this may mean extending the period to collect the debt. Only when all options have been explored would a debt be considered for write off.

2.3 There are a number of key reasons why a debt is put forward for write off. These include:

- The debt is uneconomical to collect i.e., the cost of collection.
- The debtor cannot be found despite all reasonable attempts to trace. The Revenues service has access to a credit reference agency database which is used for tracing absconded debtors. Each case is checked against the system before a decision is taken to put forward the debt for write off.
- The debtor is deceased and there is no likely settlement from the estate or next of kin.
- Insolvency and personal bankruptcy where there are no assets to claim against and there is no/limited likelihood of settlement.

3. Approach to Debt Write off

3.1 The Council has made provision for writing off bad debts, with specific provision for Business Rates, Council Tax, Sundry Debt and Housing Benefit Overpayments. The amounts proposed for write off are within the provisions set aside for doubtful debts. As part of the 2023/2024 accounts process, provisions will be recalculated considering current levels of debt outstanding.

The table below shows a summary of the current position for each provision and the amount to be charged against it subject to Committee approval:

	Provision as at 31st March 2023	Approved Write-Offs in 2023/2024 – Under £10k	Approved Write-Offs in 2023/2024 – Over £10k	Provision Currently Remaining	NET Write-Offs where approval being sought from A&G Committee	Provision Remaining After Write-offs applied
	£m	£m	£m	£m	£m	£m
Council Tax (incl. Court Costs)	-33.435	0.0	0.0	-33.435	0.00	-33.435
Business Rates (incl. Court Costs)	-5.875	0.0	0.0	-5.875	1.034	-4.841
Sundry Debts & Housing Benefits	-4.029	0.0	0.0	-4.029	0.252	-3.777

Agresso debts						
Housing Benefits – including non-invoiced (Northgate)	-2.315	0.0	0.0	-2.315	0.094	-2.221

3.2 Legal checks: The Council's Legal Team have reviewed the accounts proposed for write off and consider this to be appropriate action at this time.

3.3 Whenever an amount is written off, it is possible that further sums may be recovered in due course as new information is obtained. This would happen in the following instances:

- Where a new address is found for an absconded debtor, attempts will be made to recover any outstanding sums.
- Whenever a firm or individual goes into bankruptcy, liquidation, receivership etc., the Council's interest is registered with the Receiver, Liquidator etc. and the receiver may pay a dividend to creditors; and
- Companies that have ceased trading but have not entered into insolvency may restart their business.

3.4 Reconciliation: following approval for the write off of individual cases, the Revenues Manager will provide a reconciliation statement identifying any discrepancies that have arisen and reasons for discrepancies. Schedules of balances actually written off will accompany the statement and be submitted to Financial Management for evidence and monitoring of the bad debt provision.

4. Council's constitution

4.1 The Council's Schemes of Financial Delegation set out that the Audit and Governance Committee must consider and approve write-off of bad debts over £10,000 with the Section 151 and Monitoring Officer approving write of debt under £10,000.

4.2 The Committee is asked to note that subsequent reports will be provided detailing the levels of under £10,000 debt written-off under delegated authority so that there is full transparency of amounts being written off.

5. Debts of over £10,000 Identified for Write-Off

5.1 56 individual accounts with balances over £10,000 and totalling £1,380,751.94 have been identified for write off. At this time, debts submitted to the Audit and

Governance Committee for write-off consideration relate to Business Rates, Sundry Debt and Housing Benefit Overpayments. There are no Council Tax debts over £10,000 for the Committee to consider on this occasion.

5.2 The overall debt is summarised as follows: -

All Debts - Write offs over £10,000		
Write off Reason	No. of Cases	Amount for Write Off
Bankruptcy	5	£ 76,613.89
Ceased Trading No Assets	22	£ 569,072.25
Deceased No Assets	6	£ 83,698.83
Gone No Trace	3	£ 74,707.17
Individual Voluntary Arrangement	1	£ 48,123.23
In Administration	4	£ 164,073.87
Liquidation	9	£ 190,224.89
Unable to Collect - Recovery Exhausted	6	£ 174,237.81
Totals	56	£ 1,380,751.94

All Debts - Write Offs by Debt Year		
Year	Amount for Write Off	
2010	£	16,811.07
2012	£	32.50
2013	£	13,787.82
2014	£	308.75
2015	£	14,708.49
2016	£	43,973.35
2017	£	163,305.20
2018	£	254,167.09
2019	£	381,602.58
2020	£	195,644.25
2021	£	243,810.71
2022	£	52,576.61
2023	£	23.52
Total	£	1,380,751.94

5.3 This overall debt can be analysed across the different types of debts as follows:

Business Rates - Write offs over £10,000		
Write off Reason	No. of Cases	Amount for Write Off
Bankruptcy	1	£ 15,418.07
Ceased Trading No Assets	22	£ 569,072.25

Gone No Trace	3	£	74,707.17
Individual Voluntary Arrangement In Administration	1	£	48,123.23
Liquidation	4	£	164,073.87
Unable to Collect - Recovery Exhausted	6	£	120,440.47
	2	£	42,807.01
Totals	39	£	1,034,642.07

Business Rates - Write Offs by Debt Year		
Year	Amount for Write Off	
2015	£	457.89
2016	£	17,570.36
2017	£	125,368.15
2018	£	194,346.37
2019	£	348,270.60
2020	£	94,001.35
2021	£	202,027.22
2022	£	52,576.61
2023	£	23.52
Total	£	1,034,642.07

Sundry Debt - Write offs over £10,000		
Write off Reason	No. of Cases	Amount for Write Off
Bankruptcy	1	£ 26,762.82
Deceased No Assets	4	£ 57,896.25
Liquidation	3	£ 69,784.42
Unable to Collect - Recovery Exhausted	2	£ 97,316.60
Totals	10	£ 251,760.09

Sundry Debt - Write Offs by Debt Year		
Year	Amount for Write Off	
2010	£	16,811.07
2012	£	32.50
2013	£	211.25
2014	£	308.75
2015	£	2,413.43
2016	£	15,786.49
2017	£	37,937.05
2018	£	49,580.79
2019	£	33,331.98
2020	£	87,677.49

2021	£	7,699.29
Total	£	251,760.09

Housing Benefit Overpayment - Write offs over £10,000		
Write off Reason	No. of Cases	Amount for Write Off
Bankruptcy	3	£ 34,433.00
Deceased No Assets	2	£ 25,802.58
Unable to Collect - Recovery Exhausted	2	£ 34,114.20
Totals	7	£ 94,349.78

Housing Benefit Overpayment - Write Offs by Debt Year		
Year	Amount for Write Off	
2013	£	13,576.57
2015	£	11,837.17
2016	£	10,616.50
2018	£	10,239.93
2020	£	13,965.41
2021	£	34,114.20
Total	£	94,349.78

6. Conclusion

6.1 To conclude, this is the first report requesting Committee approval to write-off unrecoverable bad debt over £10,000 since the pandemic. It is anticipated that a business- as-usual programme will be presented to future Audit and Governance Committees for consideration.