

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 20 March 2024
<b>Subject:</b>	Unrecoverable Debts over £10,000		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	<b>No</b>
<b>Exempt / Confidential Report:</b>	No - but the appendices to the report are NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.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 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 £1,090,495.03.

### 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:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> None	
<b>Legal Implications:</b> None	
<b>Equality Implications:</b> There are no equality implications.	
<b>Impact on Children and Young People:</b> No	
<b>Climate Emergency Implications:</b>  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 (FD 7551/24) and the Chief Legal and Democratic Officer (LD5651/24) 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 meeting.

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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.

1.2 The Audit and Governance Committee may recall from the report that it considered at its meeting on 6<sup>th</sup> September 2023 that the Council was unable to follow its established business as usual collection and enforcement recovery processes during the 2020-2022 period due to national restrictions that were in place and the need to prioritise tasks associated with supporting residents and businesses through the COVID-19 pandemic. The report explained that a backlog of bad debt identified for submission for write-off had accrued during the pandemic-period. Consequently, this is the second such report for the Committee's consideration since re-commencement of business-as-usual debt management activity; approval of the debts specified later in this report will clear the backlog of those over £10,000.

1.3 The Council has taken a number of steps in order to reintroduce 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://www.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 position at the time, 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 the last full financial year, 2022/23, which included:

- £177.6M in Council Tax,
- £67.8M in Business Rates,
- £35.8M Sundry Income, and
- £0.45M Housing Benefit overpayments.

So far for 2023/24, the forecast for collectable debits i.e., billed amounts, is £321.2M. As at the 31<sup>st</sup> January 2024 this comprises of:

- £187M in Council Tax,
- £63.5M 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. Sefton's 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	88.75% as at the 1/2/24	2023	88.36% as at the 1/2/24

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:

	A	B	C	D	E	F
	Provision at 31 March 2023	Approved write-offs 2023/24 under £10K <i>Delegated Authority S151 &amp; Monitoring Officers</i>	Approved write-offs 2023/24 over £10K <i>Audit &amp; Governance Committee Sept 2023</i>	Provision Currently Remaining	NET Write-Offs where approval sought from A&G Committee	Provision Remaining After Write-offs applied
	£m	£m	£m	£m	£m	£m
Council Tax (incl. Court Costs)	<b>-33.435</b>	0.311	0.0	<b>-33.124</b>	0.00	<b>-33.124</b>
Business Rates (incl. Court Costs)	<b>-5.875</b>	0.207	1.034	<b>-4.634</b>	0.469	<b>-4.165</b>

Sundry Debts & Housing Benefits Agresso debts	<b>-4.029</b>	0.216	0.226	<b>-3.587</b>	0.606	<b>-2.981</b>
Housing Benefits – including non-invoiced (Northgate)	<b>-2.315</b>	0.124	0.085	<b>-2.106</b>	0.014	<b>-2.092</b>

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.

#### **5. Under £10,000 debt written off – Delegated Authority**

5.1 The Committee is asked to note that Column B of the table at 3.1 above shows debt under £10,000 that has been written off, so far in 2023/24, under delegated authority following approval from the Section 151 and Monitoring Officers.

## 6. Debts over £10,000 Identified for Write-Off

6.1 35 individual accounts with balances over £10,000 and totalling £1,090,495.03 have been identified for write off at this time for the Audit and Governance Committee to consider, relating 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.

6.2 The overall debt is summarised as follows: -

<b>All Debts - Write offs over £10,000</b>		
<b>Write off Reason</b>	<b>No. of Cases</b>	<b>Amount for Write Off</b>
Bankruptcy	2	£ 33,616.66
Ceased Trading No Assets	12	£ 243,091.38
Deceased No Assets	6	£ 134,455.94
Department Request	1	£ 13,413.55
Gone No Trace	4	£ 116,829.26
Liquidation	6	£ 134,949.92
Unable to Collect – Aged Debt	1	£ 10,378.74
Unable to Collect – Recovery Exhausted	1	£ 40,201.18
Unable to Establish Liability	2	£ 363,558.40
<b>Totals</b>	<b>35</b>	<b>£ 1,090,495.03</b>

<b>Write Offs by Debt Year</b>		
<b>Year</b>	<b>Amount for Write Off</b>	
2003	£	40,201.18
2014	£	32,417.74
2015	£	10,696.40
2016	£	6,797.57
2017	£	33,194.75
2018	£	99,716.36
2019	£	40,841.35
2020	£	90,402.79
2021	£	544,835.28
2022	£	149,994.85
2023	£	41,396.76
<b>Total</b>	<b>£</b>	<b>1,090,495.03</b>

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

<b>Business Rates - Write offs over £10,000</b>		
<b>Write off Reason</b>	<b>No. of Cases</b>	<b>Amount for Write Off</b>
Ceased Trading No Assets	12	£ 243,091.38
Gone No Trace	4	£ 116,829.26
Liquidation	4	£ 109,818.73
<b>Totals</b>	<b>20</b>	<b>£ 469,739.37</b>

<b>Business Rates - Write Offs by Debt Year</b>		
<b>Year</b>	<b>Amount for Write Off</b>	
2017	£	12,588.05
2018	£	63,716.31
2019	£	34,545.16
2020	£	61,535.32
2021	£	137,587.10
2022	£	143,351.93
2023	£	16,415.50
<b>Total</b>	<b>£</b>	<b>469,739.37</b>

<b>Sundry Debt - Write offs over £10,000</b>		
<b>Write off Reason</b>	<b>No. of Cases</b>	<b>Amount for Write Off</b>
Bankruptcy	1	£ 19,244.91
Deceased No Assets	6	£ 134,455.94
Department Request	1	£ 13,413.55
Liquidation	2	£ 25,131.19
Unable to Collect – Aged Debt	1	£ 10,378.74
Unable to Collect – Recovery Exhausted	1	£ 40,201.18
Unable to Establish Liability	2	£ 363,558.40
<b>Totals</b>	<b>14</b>	<b>£ 606,383.91</b>

<b>Sundry Debt - Write Offs by Debt Year</b>		
<b>Year</b>	<b>Amount for Write Off</b>	
2003	£	40,201.18
2014	£	18,045.99
2015	£	10,696.40
2016	£	6,797.57
2017	£	20,606.70

2018	£	36,000.05
2019	£	6,296.19
2020	£	28,867.47
2021	£	407,248.18
2022	£	6,642.92
2023	£	24,981.26
<b>Total</b>	<b>£</b>	<b>606,383.91</b>

<b>Housing Benefit Overpayment - Write offs over £10,000</b>		
<b>Write off Reason</b>	<b>No. of Cases</b>	<b>Amount for Write Off</b>
Bankruptcy	1	£ 14,371.75
<b>Totals</b>	<b>1</b>	<b>£ 14,371.75</b>

<b>Housing Benefit Overpayment - Write Offs by Debt Year</b>	
<b>Year</b>	<b>Amount for Write Off</b>
2014	£ 14,371.75
<b>Total</b>	<b>£ 14,371.75</b>

## 7. Conclusion

- 7.1 To conclude, this is the second report requesting Committee approval to write off unrecoverable bad debt over £10,000 since the pandemic. The backlog of over £10,000 write offs is now completed and it will be business as usual going forward.