

Report Title: Unrecoverable Debts Over £10,000

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|-----------------------------|--|---------------------------|----|
| Date of meeting: | 11 th December 2024 | | |
| Report to: | Audit and Governance Committee | | |
| Report of: | Executive Director of Corporate Resources and Commercial | | |
| Portfolio: | Corporate Services | | |
| Wards affected: | All | | |
| 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| Exempt/confidential report: | No - but the appendices to the report are NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.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 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 £833,126.22.

The Rationale and Evidence for the Recommendation

1.1 The Council seeks to limit the level of debt that is written off, whilst ensuring that every effort is made for collection levels to remain high.

1.2 The Council collected income of over £339.34M during 2023/24 which included:

- £186.5M in Council Tax,
- £63.4M in Business Rates,
- £89M Sundry Income, and
- £0.44M Housing Benefit overpayments.

For 2024/25, the forecast for collectable debits i.e., billed amounts, is £365.9M. As at the 9th October 2024 this comprises of:

- £209M in Council Tax,
- £71M in Business Rates,
- £85M Sundry Income, and
- £0.9M Housing Benefit overpayment.

1.3 The table below shows the collection rate % for Council Tax and Business Rates by the Council over the last decade. These collection rates consistently 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 | 94.85% | 2023 | 98.81% |
| 2024 as at 9/10/24 | 57.14% | 2024 as at 9/10/24 | 60.99% |

1.4 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 that 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.

1.5 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 pursuing 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.

1.6 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 is a debt considered for write off.

1.7 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.

1.8 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 annual accounts process, provisions are 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 2024 | Approved Write-Offs in 2024/2025 – Under £10k | Approved Write-Offs in 2024/2025 – 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) | -31.580 | 0.615 | 0 | -30.965 | 0.00 | -30.965 |
| Business Rates (incl. Court Costs) | -5.831 | 0.891 | 0 | -4.940 | 0.560 | -4.380 |
| Sundry Debts & Housing Benefits Agresso debts | -5.309 | 0.191 | 0 | -5.118 | 0.193 | -4.925 |

| | | | | | | | |
|---|---|--------|-------|---|--------|-------|--------|
| Housing Benefits including non-invoiced (Northgate) | - | -2.071 | 0.200 | 0 | -1.871 | 0.078 | -1.793 |
|---|---|--------|-------|---|--------|-------|--------|

- 1.9 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.
- 1.10 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.
- 1.11 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.

Council's constitution

- 1.12 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.
- 1.13 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.

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

- 1.14 39 individual accounts with balances over £10,000 and totalling £833,126.22 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.

- 1.15 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 | 2 | £ 23,195.37 |
| Ceased Trading No Assets | 10 | £ 200.293.81 |

| | | | |
|--|-----------|----------|-------------------|
| Deceased No Assets | 5 | £ | 97,767.12 |
| Gone No Trace | 5 | £ | 118,446.52 |
| Individual Voluntary Arrangement | 1 | £ | 34,023.50 |
| Liquidation | 6 | £ | 135,903.92 |
| Out of Jurisdiction | 1 | £ | 12,258.80 |
| Unable to Collect - Recovery Exhausted | 7 | £ | 149,796.50 |
| Unable to Establish Liability | 2 | £ | 61,440.68 |
| Totals | 39 | £ | 833,126.22 |

| All Debts - Write Offs by Debt Year | | |
|--|-----------------------------|-------------------|
| Year | Amount for Write Off | |
| 2010 | £ | 4,528.10 |
| 2011 | £ | 14,110.90 |
| 2012 | £ | 17,220.89 |
| 2013 | £ | 22,919.75 |
| 2014 | £ | 45,699.87 |
| 2015 | £ | 40,633.88 |
| 2016 | £ | 82,707.38 |
| 2017 | £ | 20,558.61 |
| 2018 | £ | 78,620.40 |
| 2019 | £ | 93,697.74 |
| 2020 | £ | 83,717.67 |
| 2021 | £ | 101,748.12 |
| 2022 | £ | 167,211.44 |
| 2023 | £ | 59,606.12 |
| 2024 | £ | 145.35 |
| Total | £ | 833.126.22 |

1.16 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 |
| Ceased Trading No Assets | 10 | £ 200,293.81 |
| Gone No Trace | 5 | £ 118,446.52 |
| Individual Voluntary Arrangement | 1 | £ 34,023.50 |
| Liquidation | 5 | £ 124,836.50 |
| Out of Jurisdiction | 1 | £ 12,258.80 |
| Unable to Collect – Recovery Exhausted | 5 | £ 70,815.26 |
| Totals | 27 | £ 560,674.39 |

| Business Rates - Write Offs by Debt Year | |
|---|-----------------------------|
| Year | Amount for Write Off |
| 2010 | £ 4,528.10 |
| 2011 | £ 14,110.90 |
| 2012 | £ 17,220.89 |
| 2013 | £ 5,375.75 |
| 2014 | £ 36,798.87 |
| 2015 | £ 40,633.88 |
| 2016 | £ 14,942.75 |
| 2017 | £ 20,558.61 |
| 2018 | £ 47,141.88 |
| 2019 | £ 56,702.16 |
| 2020 | £ 79,235.93 |
| 2021 | £ 87,608.42 |
| 2022 | £ 96,064.15 |
| 2023 | £ 39,752.10 |
| Total | £ 560,674.39 |

| Sundry Debt - Write offs over £10,000 | | |
|--|---------------------|-----------------------------|
| Write off Reason | No. of Cases | Amount for Write Off |
| Bankruptcy | 2 | £ 23,195.37 |
| Deceased No Assets | 5 | £ 97,767.12 |
| Liquidation | 1 | £ 11,067.42 |
| Unable to Establish Liability | 2 | £ 61,440.68 |
| Totals | 10 | £ 193,470.59 |

| Sundry Debt - Write Offs by Debt Year | | |
|--|-----------------------------|-------------------|
| Year | Amount for Write Off | |
| 2013 | £ | 17,544.00 |
| 2014 | £ | 8,901.00 |
| 2016 | £ | 25,283.97 |
| 2018 | £ | 31,478.52 |
| 2019 | £ | 495.00 |
| 2020 | £ | 4,481.74 |
| 2021 | £ | 14,139.70 |
| 2022 | £ | 71,147.29 |
| 2023 | £ | 19,854.02 |
| 2024 | £ | 145.35 |
| Total | £ | 193,470.59 |

| Housing Benefit Overpayment - Write offs over £10,000 | | |
|--|---------------------|-----------------------------|
| Write off Reason | No. of Cases | Amount for Write Off |
| Unable to Collect - Recovery Exhausted | 2 | £ 78,981.24 |
| Totals | 2 | £ 78,981.24 |

| Housing Benefit Overpayment - Write Offs by Debt Year | | |
|--|-----------------------------|------------------|
| Year | Amount for Write Off | |
| 2016 | £ | 42,480.66 |
| 2019 | £ | 36,500.58 |
| Total | £ | 78,981.24 |

2. **Financial Implications**

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.

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 1.8 above.

3. **Legal Implications**

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

4. **Corporate Risk Implications**

The Council's Internal Audit team have recently carried out two separate audit reviews focusing on debt management in the Council Tax and Sundry Debt areas. The purpose of both reviews was to provide senior management in Corporate Resources and Commercial with assurance that risks are being adequately managed and addressed.

Both audits considered the policy and procedures in place relating to debt management, including assessing that the procedures for writing off unrecoverable debt are robust, and that bad debt is written off in line with the Council's Finance Procedure Rules, also including that regular reports are provided to the Audit and Governance Committee.

The outcome in both audits is that there is a minor risk to the Council. Areas of good practice have been identified including a comprehensive Corporate Debt Policy on the Council's website, detailed debt recovery timetable in place, service risk registers with controls to mitigate risks and that debt write off procedures are followed in line with the Council's Schemes of Financial Delegation.

5. **Staffing HR Implications** - None

6. **Conclusion**

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.

7. **Alternative Options Considered and Rejected**

Not to write off the debt

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|--|
| Equality Implications: There are no equality implications. |
| Impact on Children and Young People: None |
| Climate Emergency Implications: The recommendations within this report will have a Neutral impact. |

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Commercial (FD.7842/24) and the Chief Legal and Democratic Officer (LD.5942/24) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None

Implementation Date for the Decision :

With immediate effect.

| | |
|-------------------|------------------------------|
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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.