



## Finance and Performance Sub-Committee 19 October 2020

### Debt Write Offs and Outstanding Debt at 31 March 2020

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#### Purpose of report

To set out to Finance and Performance Sub-Committee the amount of debt that has been written off during the financial year 2019/20 and to provide an analysis of outstanding debt at 31 March 2020.

**Attachment:** None

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#### 1.0 Introduction

- 1.1 In accordance with the Council's Constitution, the Financial Procedure Rules require that all debt write offs should be reported to the Policy and Resources Committee as part of the regular financial reporting process. The Finance and Performance Sub-Committee has also previously requested additional information on outstanding debts. Therefore, this report is prepared to respond to both requirements and is reported to both Committees for their review.
- 1.2 Customers, residents and businesses within the district have a responsibility to pay for the services they receive and the charges and rents they are liable for. It is essential that all monies due are collected effectively by the council.
- 1.3 It is recognised, however, that a small proportion of the council's overall income may not be collectable due to matters outside its control. Where a debt is assessed to be irrecoverable it is subject to a write-off process that is consistent with recognised accounting practices. The council has sought to minimise the cost of write-offs by taking all appropriate action to recover what is due.

#### 2.0 Debts written off

- 2.1 As a result of the time elapsing between an invoice being issued and any decision taken to write off amounts due, the sums written off do not directly relate to the amounts billed during the year. Furthermore, the decision to write off debt is always a last resort after all other methods of collecting the debt have been exhausted.
- 2.2 As mentioned at paragraph 1.1 above, the Financial Procedure Rules require a report to be produced for Policy and Resources Committee as part of the regular financial reporting process. It also sets out the following authorisation limits for writing off debt:

Type of Debt	Revenue & Benefits Manager	Any Member of the Corporate Management Team	Chief Finance Officer or Deputy S151 Officer	Relevant Committee
Business Rates/National Non Domestic Rates	Up to £100	Up to £1,500	Up to £25,000	Above £25,000
All other debts (including Council Tax & Housing Benefit)	Up to £100	Up to £1,500	Up to £25,000	Above £25,000

2.3 A summary of write-offs for 2019/20 is shown in the table below:

<b>Debt Type</b>	<b>Total Collected £</b>	<b>Total Write-Off £</b>	<b>% of Total Collected</b>
Council Tax	£57,909,274	£204,311	0.3%
Non Domestic Rates	£34,447,632	£47,282	0.1%
Housing Benefit Overpayments	£484,155	£51,947	11%
Sundry Debtors	4,231,394	£14,726	0.35
<b>TOTAL</b>	<b>£97,072,455</b>	<b>£318,266</b>	<b>0.33%</b>

2.4 The percentage of the total debt written off (0.33 %) is relatively low compared to other local authorities, and demonstrates that every action is taken to recover debt owed to the council prior to any decision to write it off. This figure has increased slightly in comparison to the amount written off during the previous financial year, which was 0.31%.

2.5 Whilst housing benefit overpayment shows a higher percentage of debt being written off in comparison to other types of debt, it should be noted that the council pays housing benefits of approximately £14m per year. The amount written off in comparison to the total housing benefits paid is only around 0.4%.

### **3.0 Write-Off over £25,000 requiring Committee Approval**

3.1 All write-offs have been processed within the delegated authorities as set out in section 2.2 of this report. However, in accordance with the Financial Procedure Rules where a debt is in excess of £25k, it requires consideration and approval by the Committee.

3.2 There were no write off requests exceeding £25k 2019/20.

### **4.0 Outstanding Debts**

4.1 This section breaks down each area of debt by year and provides some information on the stages of recovery and other relevant information or issues.

## Council Tax

4.2 This table shows the level of outstanding arrears in relation to council tax:

Year	Number of accounts in arrears	Total value of arrears outstanding	Number of accounts on payment plans	Value on payment plans	Number of accounts <u>not</u> on payment plans	Value <u>not</u> on payment plans
2007/2008	2	£607	2	£607	0	0
2008/2009	1	£654	1	£654	0	0
2009/2010	2	£1,009	2	£1,009	0	0
2010/2011	10	£4,507	3	£1,979	7	£2,528
2011/2012	15	£7,527	5	£3,525	10	£4,002
2012/2013	42	£20,154	14	£6,020	28	£14,134
2013/2014	107	£38,651	28	£1,857	79	£36,794
2014/2015	153	£59,926	19	£9,429	134	£50,497
2015/2016	250	£102,109	38	£13,664	212	£88,445
2016/2017	405	£196,043	52	£18,586	353	£177,457
2017/2018	650	£317,481	87	£26,830	563	£290,651
2018/2019	1233	£563,099	215	£53,546	1018	£509,553
2019/2020	3373	£1,465,285	552	£239,463	2821	£1,225,822
	<b>6243</b>	<b>£2,777,052</b>	<b>1018</b>	<b>£377,169</b>	<b>5225</b>	<b>£2,399,883</b>

4.3 For 2019/20 the arrears outstanding equate to 2.4% of the total council tax for the year.

4.4 For council tax, there is around £377k (14%) of the outstanding debt where payment is being recovered through various arrangements agreed at various stages of the recovery process. These include repayment plans, attachment to earnings and deductions from benefit payments.

A full breakdown of the outstanding council tax debt is set out in this table:

Debt recovery method	Value of arrears (£'000)	Percentage of total arrears
Enforcement action in progress:		
Summons or liability order issued	381	14%
After summons issued and attended court	92	3%
Value with enforcement agents	1,189	43%
Committal summons or warrant of arrest issued but not attended court	90	3%
Potential committal to prison	261	9%
Total with enforcement action in progress	2,013	
Council tax arrears on payment plans	377	14%
Not yet at enforcement stage	387	14%
<b>Total council tax arrears</b>	<b>2,777</b>	<b>100%</b>

4.5 Amounts not yet at enforcement stage may be due a Council Tax Support adjustment recently being made to the account following the customer failing to notify the council of a change in circumstances or where the debt is quite small and is less than the cost of a summons.

## Non Domestic Rates

- 4.6 Business rates arrears total just over £638k; these are broken down by year in the table below:

Year	Number of accounts in arrears	Total value of arrears outstanding	Number of accounts on payment plans	Value on payment plans	Number of accounts <u>not</u> on payment plans	Value <u>not</u> on payment plans
1999/2000	1	£1,020	1	£1,020	0	£0
2008/2009	3	£6,252	3	£6,252	0	£0
2010/2011	1	£544	1	£544	0	£0
2011/2012	3	£5,815	2	£4,845	1	£970
2012/2013	2	£5,120	0	£0	2	£5,120
2013/2014	4	£22,815	1	£780	3	£22,035
2014/2015	4	£27,507	0	£0	4	£27,507
2015/2016	159	£33,345	1	£953	158	£32,392
2016/2017	214	£37,065	0	£0	214	£37,065
2017/2018	222	£19,680	1	£1,877	221	£17,804
2018/2019	238	£55,950	0	£0	238	£55,950
2019/2020	375	£423,102	1	£2,027	371	£421,074
	<b>1228</b>	<b>£638,215</b>	<b>12</b>	<b>£18,298</b>	<b>1214</b>	<b>£619,917</b>

- 4.7 The arrears for 2019/20 equate to 1.2% of the total NNDR for the year. A full breakdown of the outstanding business rates debt is set out in the table below:

Debt recovery method	Value of arrears (£'000)	Percentage of total arrears
Business rates arrears on payment plans:		
Payment plans in place	5.5	1%
Payment plans where failure to pay will impose a prison sentence	13	2%
Total business rates arrears on payment plans	18.5	3%
Amount where reminders have been sent or are immediately due which has arisen due to rateable value changes or recent notification of billing	430	67%
Amount where enforcement action is being taken such as recovery action or court summons issued	182	29%
Amount with enforcement agent	7.5	1%
<b>Total business rates arrears</b>	<b>638</b>	<b>100%</b>

- 4.8 It is worth noting that there is a high number of accounts in arrears going back to 2015, this is because a national appeal was decided and the decision meant that one business rates assessment was split into approximately 1,500 individual assessments. The effective date for the decision was 2015 therefore bills were generated for every year from this date onwards. Notification of the decision was received from the Valuation Office Agency late in the financial year therefore recovery action was not in place as at 31 March 2020.

## Housing Benefit Overpayments

4.9 The following table shows the amount of outstanding debt in relation to housing benefit overpayments by year:

Year	Number of invoices with a balance outstanding	Value of invoices with a balance outstanding	Number of invoices on payment plans	Value of invoices on payment plans	Number of invoices <u>not</u> on payment plans	Value of invoices <u>not</u> on payment plans
Pre-2000	1	£10,696	1	£10,696	0	£0
2000/01	2	£7,778	2	£7,778	0	£0
2002/03	1	£1,759	0	£0	1	£1,759
2003/04	1	£984	1	£984	0	£0
2004/05	5	£11,645	5	£11,645	0	£0
2005/06	3	£37,825	1	£104	2	£37,721
2006/07	4	£7,574	2	£3,357	2	£4,217
2007/08	6	£2,972	3	£1,562	3	£1,410
2008/09	7	£35,622	5	£6,845	2	£28,777
2009/10	7	£19,459	3	£14,156	4	£5,303
2010/11	12	£30,724	7	£18,727	5	£11,997
2011/12	25	£52,121	12	£34,325	13	£17,796
2012/13	33	£57,040	21	£46,954	12	£10,086
2013/14	37	£108,752	19	£72,005	18	£36,747
2014/15	64	£105,854	20	£37,404	44	£68,450
2015/16	65	£83,138	22	£35,136	43	£48,002
2016/17	79	£177,741	17	£60,479	62	£117,262
2017/18	88	£112,692	26	£33,886	62	£78,806
2018/19	137	£98,927	35	£30,360	102	£68,567
2019/20	147	£121,624	52	£55,685	95	£65,939
	<b>761</b>	<b>£1,084,927</b>	<b>254</b>	<b>£482,088</b>	<b>507</b>	<b>£602,839</b>

4.10 The value of invoices raised for recovery of housing benefit overpayments during this time was £10.8m. The amount of outstanding debt in the table above equates to around 10% of this amount. There is around 45% of outstanding debt where payment plans are in place to recover the monies. There are various reasons which make recovery of housing benefit debt more difficult such as:

- The customer may be having deductions already taken from their Department of Work and Pensions (DWP) benefit for other priority debts (housing benefit is not a priority debt and is lower on the list)
- No forwarding address – difficulty in tracing customers
- Trying to establish employers' details to enable an attachment to earnings to take place
- Customers ignoring letters or failing to engage with the council
- Customers no longer receiving housing benefits and therefore unable to take deductions from their ongoing award.

4.11 Another issue for councils is the limit on the amount that can currently be recovered from ongoing housing benefit. There is a risk that this could become more difficult when claimants move to Universal Credit as the council will be unable to attach a recovery payment to their housing benefit entitlement. This risk has been incorporated into the risk register.

4.12 It should be noted that DWP recommends that 70% of housing benefit overpayments are recovered within 3 years of the debt being raised. As at 31 March 2020 the council was achieving 76%.

### **Sundry Debtors**

4.13 The amount of debt outstanding (over 120 days) in relation to sundry debtors as at 31 March 2020 is £41,664k. This is broken down by years as below:

	<b>Outstanding Debt Amount</b>
2012/13	£745
2013/14	£0
2014/15	£1,308
2015/16	£413
2016/17	£1,138
2017/18	£47
2018/19	£20,651
2019/20	£17,362
	<b>£41,664</b>

4.14 A summary of sundry debtors is set out in the table below:

<b>Debt Position</b>	<b>Outstanding debt amount £'000</b>	<b>Percentage of total arrears</b>
Payment plans in place	£1,269	3%
Referring for legal advice	£4,100	10%
In dispute	£18,101	44%
Written off at year end	£13,459	32%
Seeking to write off debt in 20/21	£3,118	7%
Paid in full since year end	£1,196	3%
Accounts on stop for non-payment	£421	1%
<b>Total sundry debt</b>	<b>£41,664</b>	<b>100%</b>

## **5.0 Equality and Diversity Implications**

5.1 There are no direct equalities impacts arising from this report.

## **6.0 Privacy Impact Implications**

6.1 There are no privacy impact implications arising from this report.

## **7.0 Health Impact Assessments**

7.1 There are no health implications arising from this report.

## **8.0 Legal Implications**

8.1 There are no legal implications arising from this report.

## 9.0 Risk Management

9.1 All write-offs are carried out in accordance with the relevant provisions contained within the Council's Constitution and Financial Procedure Rules.

## 10.0 Resource and Financial Implications

10.1 This report details a total of written-off debt that should be viewed in the context of the overall value of income collected and, in terms of Housing Benefit, expenditure paid out, i.e. the percentage of debt written off, at 0.33% is low.

10.2 The write-off process is part of the council's recognised accounting practices and ensures that debt recovery projections are realistic and that write-offs are fully provided for each financial year where possible.

## 11.0 Constitutional Implications

11.1 The report does not require any amendment to the Council's Constitution.

## 12.0 Implications for our Customers

12.1 There are no customer service implications arising from the report.

## 13.0 Corporate Outcomes

13.1 This report links to the following Corporate Outcome


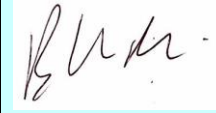
Effective Management (Seeking to secure efficient, cost effective management of resources for the Council)

## 14.0 Recommendation

14.1 Finance and Performance Sub Committee is asked to:

- 1) Note the position of debts written off for financial year 2019/20 and the latest information on outstanding debts at 31 March 2020.

*(Reason: To meet requirements as set out in section 5.46 of the Council's Financial Procedure Rules (Part 4.3 of the Constitution))*

<b>Legal</b>	Power: Local Government Act 1972				
	Other considerations:				
<b>Background Papers:</b>					
<b>Person Originating Report:</b> Lucy Hogston, Interim Head of Customer & Community Services lhogston@east-northamptonshire.gov.uk					
<b>Date: 05/10/2020</b>					
<b>CFO</b> 06/10/20		<b>MO</b> 06/10/20		<b>CX</b> 06/10/20	