

# **AUDIT AND RESOURCES COMMITTEE**

**Tuesday, 8 February 2022**

## **CABINET**

**Thursday, 17 February 2022**

### **WRITE OFF OF IRRECOVERABLE DEBTS 2020/21**

#### **COUNCIL TAX, NATIONAL NON DOMESTIC RATES, HOUSING BENEFIT & SUNDRY DEBTORS**

##### **Report of the Chief Financial Officer**

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### **Recommendation(s)**

**It is recommended that Audit & Resources Committee note the contents of this report and make recommendations to Cabinet as appropriate.**

**It is recommended that Cabinet:**

- (1) consider any recommendations from Audit & Resources Committee;**
- (2) note debts of £5,000 or under approved for write off by the Executive Head of Finance and Housing Programme with a net total of £2,123.03;**
- (3) note debts of £5,000 or under, and debts relating to bankruptcy or liquidation proceedings, approved for write off by the Corporate Director (CFO) with a net total of £182,922.25;**
- (4) note debts of £5,000 or under, approved for write off by the Corporate Director (CFO) totalling £51,566.06; and**
- (5) approve the write-off of debts in respect of one debtor in excess of £5,000 totalling £187,727.00 relating to National Non Domestic Rates (NNDR);**

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### **Summary**

The Executive Head of Finance and Housing Programme and the Corporate Director (CFO) have exercised delegated powers to write-off certain debts below £5,000.

Approval is sought for one debt over £5,000 to be written off.

## **Focus for Scrutiny**

Approval is sought for one debt over £5,000 to be written off.

## **Statutory Powers**

Statutory authority under Section 151 of the Local Government Act 1972 has been exercised and the delegated powers stated in Financial Regulations 6.6.1 utilised.

## **Strategic Implications**

1. This report relates to the financial management and sustainability of the Council, operating in a business-like way which underpins the delivery of all of the Council's Corporate Plan (2015-2025) objectives. The issues detailed in the report do not represent any significant variance in the Council's delivery to meet these objectives.

## **Introduction**

2. Councillors are aware that the Executive Head of Finance and Housing Programme is authorised within the Constitution's Scheme of Delegation to write-off debts of £5,000 or less in respect of housing benefits, council tax and business rates respectively. The Chief Financial Officer is authorised to write-off debts of £5,000 or less and debts over this amount where bankruptcy or liquidation proceedings have been instituted. Anything outside of these limits should be approved by Cabinet.
3. To provide some context, in 2020/21 the net value of sundry debtors raised was £27,219,925 with a collection rate in year of 83%. Councillors are reminded that the fact that a debt has been written off does not prevent action to recover the debt subsequently being taken if a debtor is traced, provided such action is not statute barred through lapse of time. The process for debt collection is regularly reviewed to ensure that income to the Council can be maximised.
4. As previously reported there is an increasing number of Debt Relief Orders (DRO) and Individual Voluntary Arrangements (IVA) being entered into and therefore the figures in relation to these cases have been included with bankruptcy and liquidation totals as there are similar restrictions on collecting these debts.
5. This write-off report is produced annually and details of the write-offs are given in the following paragraphs of this report.

## Summary of Revenue and Benefits Debts under £5,000 or in Bankruptcy/Liquidation/Debt Relief Order/IVAs

6. Detailed below is a summary of written-off debts authorised by the Executive Head of Finance and Housing Programme and in cases of bankruptcy and liquidation by the Chief Financial Officer.

<b>DEBTS</b>	<b>£5,000 or less and Credits Written Off</b>	<b>Bankruptcy Liquidation Debt Relief Orders &amp; IVAs</b>	<b>TOTAL</b>	<b>Reversed or Recovered Debts</b>	<b>NET TOTAL</b>
	<b>(£)</b>	<b>(£)</b>	<b>(£)</b>	<b>(£)</b>	<b>(£)</b>
<b>COUNCIL TAX</b> Amount (£) (inc costs)	£ 12,174.24	£91,918.47	£104,092.71	-£14,276.72	£89,815.99
No. of Accounts	103	212	315	43	358
<b>NNDR</b> Amount (£) (inc costs)	£8,999.33	£69,830.21	£78,829.54	-£32,912.30	£45,917.24
No of Accounts	25	23	48	13	61
<b>HOUSING BENEFITS</b> Amount (£) (inc costs & interest)	£2,123.03	£0.00	£2,123.03	£0.00	£2,123.03
No. of debtors.	3	0	3	0	3
<b>TOTALS</b> Amount (£) (inc costs)	<b>£23,296.60</b>	<b>£161,748.68</b>	<b>£185,045.28</b>	<b>-£47,189.02</b>	<b>£137,856.26</b>

## Summary of Sundry Debtors under £5,000

7. Detailed below is a summary of written-off debts authorised by the Chief Financial Officer.

<b>DEBTS</b>	<b>£5,000 or less and Credits Written Off</b>	<b>Reversed or Recovered Debts</b>	<b>TOTAL</b>
	<b>(£)</b>	<b>(£)</b>	<b>(£)</b>
<b>SUNDRY DEBTORS</b> Amount (£) (inc costs)	£51,566.06	0	£51,566.06
No. of Debtors	61	0	61

## Debts Over £5,000

8. In addition to the above debts approval is sought to write-off the following debt above £5,000 in relation to NNDR. This debt is detailed below.

<b>NDR</b>		
<b>Reference No &amp; Area</b>	<b>Amount (£) (including costs)</b>	<b>Reason</b>
NDR Account Ref: Redacted	£187,727.00	<p>The debt relates to a property with a rateable value of £199,000 for a liable period of 19 months.</p> <p>The Council were recovering against the previous business rate payer whom were liable for the past 18 years. While recovery processes were undertaken against the occupant they continued to engage with the council and entered into a number of payment arrangements to clear the arrears. As a result of the previous companies continued contact and payments there was nothing to indicate they were no longer liable for the rates.</p> <p>The agreed payment arrangements ceased and subsequent enforcement visits noted a new company had been in occupation. This resulted in the council having to reflect the correct liable party. Back dated bills were issued but the company were no longer trading and inactive with no assets.</p> <p>Throughout this period, all recovery action processes were followed. The council relies on business rate payers to confirm when they are no longer liable for business rates and it is extremely uncommon that a business would not inform the council at the time</p>

## Performance against Previous Year

9. One of the key areas of effective debt monitoring is to look back on the previous year to assess how the debt portfolio has been managed. Comparator tables follow:

Council Tax, NNDR, Housing Benefits

<b>Debts under £5k and liquidation</b>	<b>2019/20</b>	<b>2020/21</b>
Council Tax	220,281.02	89,815.99
NNDR	163,968.05	45,917.24
Housing Benefits	13,889.10	2,123.03

<b>Debts over £5k</b>	<b>2019/20</b>	<b>2020/21</b>
NNDR & Council Tax	5,243.75	187,727.00
Housing Benefits	-	-

Sundry Debtors

<b>Debts under £5k</b>	<b>2019/20</b>	<b>2020/21</b>
Sundry Debtors	107,027.30	51,566.06

<b>Debts over £5k</b>	<b>2019/20</b>	<b>2020/21</b>
Sundry Debtors	39,350.38	-

10. The comparison shows the value of debts under £5,000 being written off have significantly decreased in all services from 2019/20 to 2020/21. The value of debts over £5,000 has greatly increased due to a high value NNDR write off.
11. The decrease in Council Tax debts being written off is the result of the extensive review of debts in 2019/20. This resulted in a high level of historic debts being written off. The 2020/21 total is comparable with the amount

written off in 2018/19. There are no Council Tax debts over £5,000 to be written off.

12. NNDR debts under £5,000 being written off have decreased, mainly due to Central Government introducing Covid 19 rate relief schemes which reduced most business rate liabilities to zero in 2020/21. There was one high value write off over £5,000.
13. Housing Benefit debts being written off reduced due to more effective use of recovery tools to successfully collect outstanding debt.
14. The decrease in Sundry Debtor debts being written off follows a review of aged debts. Many of these are being repaid on instalment plans resulting in fewer debts to be written off. There are no debts over £5,000 proposed for write off.

### **Financial Implications**

15. The financial implications of write-offs for Council Tax and Housing Benefit debts falls on the General Fund Revenue Account and every reasonable effort to recover debts is made before this action is taken. There is already a provision in the statement of accounts for bad debts so this does not represent an additional cost to the General Fund Revenue Account.
16. National Non Domestic Rate Debts that are written off are offset against the payments made in relation to the business rate retention scheme and therefore 40% of written off debts falls on the Borough's Council Tax Payers.
17. All amounts shown in this report are net of VAT. Bad debt relief can be claimed within 4 years and 6 months of the invoice supply date so VAT can usually be recovered. In 20/21 there are two invoices ineligible for bad debt relief where the total VAT of £237 cannot be reclaimed.

### **Risk Assessment**

18. With any debt collection facility the risk of not taking full recovery action prior to writing off debts leads to bad publicity and more customers failing to pay the amounts owed leading to an increase in Council Tax for the Borough.
19. Staff within both Revenue & Benefits and Case Management continually monitor debts to ensure that they are collected in the most efficient and economical manner and only written off where all means of recovery have been exhausted.
20. Debt and debt recovery is regularly monitored across all areas of the Council and there is a risk that levels of unrecoverable debt may increase due to the impacts of the Covid-19 pandemic on both businesses and individuals.

## **Equality and Diversity Implications**

21. The Equality Act is not relevant to the decision in this report because it is a report dealing with internal or procedural matters only. Therefore it is considered that for this decision the Equality Duty does not need to be addressed and an Equality Impact Assessment (EqIA) has not been carried out.

## **Climate Change and Environmental Implications**

22. There is no impact to climate change or the environment for this report.

## **Conclusion**

23. The Council's Financial Regulations currently delegates authority to the Executive Head of Finance and Housing Programme to write off debts not exceeding £5,000 provided the Executive Head of Finance and Housing Programme is satisfied that all appropriate recovery action has been pursued. The debts detailed in this report have all been assessed on an individual basis and are now considered irrecoverable, as any further recovery action would be counter-productive and uneconomical.
24. The Council's Financial Regulations currently delegates authority to the Chief Financial Officer to write off debts not exceeding £5,000 and debts where bankruptcy or liquidation proceedings have been instituted. Should the circumstances for any of these debts change, the write off can be reversed and sums recovered. The debts detailed in this report have all been assessed on an individual basis and are now considered irrecoverable, as any further recovery action would be counter-productive and uneconomical.

SARAH KING  
CHIEF FINANCIAL OFFICER

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Appendices Attached: 0

## **LOCAL GOVERNMENT ACT 1972 - SECTION 100D**

The following is a list of documents which disclose facts or matters on which this report or an important part of it is based and have been relied upon to a material extent in the preparation of this report. This list does not include any published works or documents which would disclose exempt or confidential information.

\* List Background Papers or state None.