



Write Off of Irrecoverable Debts

Corporate Priority:	Ensuring the right conditions to support delivery
Relevant Ward Member(s):	N/A
Date of consultation with Ward Member(s):	N/A
Exempt Information:	Appendix 1,2,3 & 4 of this report contains exempt information and is not for publication in accordance with Paragraph 1 & 3 of Part 1 of Schedule 12A of the Local Government Act 1972. Further details can be seen in paragraph 17 below.
Key Decision:	Yes
Subject to call-in:	Yes

1 Summary

- 1.1 The purpose of this report is to seek approval to write off debts, over the value of £2,500, where there is little or no prospect of recovering them.

2 Recommendations

That Cabinet

- 2.1 Notes the action taken by the Council to recover outstanding debts;**
- 2.2 Approves the write off the debts shown in Appendices 1-4.**

3 Reason for Recommendations

- 3.1 All recovery methods have been considered and where appropriate pursued, before recommending that debts are written off.
- 3.2 Officer time can be maximised on greater returns, focusing on debts where there is more realistic chance of recovery.

4 Background

- 4.1 The Council collects Council Tax, Business Rates, Rents (Former Tenants) and Sundry Debtor Income. Every effort is made to collect all monies due by the most appropriate and effective method. This includes but is not limited to reminder letters, attachment of earnings and benefits and special arrangements to pay.
- 4.2 The Council has a good track record of collecting debt, the Council Tax collection rate for 2021/22 was 98.21% (an increase of 0.31% in 2020/21) and Business Rates collection was 98.42% (increasing by 0.80%).
- 4.3 In the context of these collection rates, the level of proposed write offs is relatively low. The Council's Constitution and supporting Financial Procedure Rules delegates the responsibility for writing off individual debts up to and including £2.5k to the Director for Corporate Services under the Scheme of Delegation. Above this threshold, debts (greater than £2.5k) may be written off by the Cabinet. Cabinet are being asked to write off debts of £223,054.37 which officers believe cannot be recovered.
- 4.4 The need to write off debt can arise for a number of reasons, including the debtor being untraceable, ceased trading with no assets, or deceased with insufficient funds in the estate. All methods of recovery are considered and pursued in line with legislative provision, before making the decision to write off. This can include internal recovery action, use of debt collection agents, external tracing agents and procedures through the courts.
- 4.5 All debt approved for write off will be set against existing bad debt provisions and can be resurrected in full or in part at any time should new information come to light suggesting that they might be recoverable after all. In all cases collection options have been exhausted and there is no realistic prospect of recovery.
- 4.6 Debts arising from absconders are thoroughly investigated using our enforcement agent tracing services and third party tracing agents prior to a request for write off. Should the debtor be discovered at a later date the write off will be reversed and the debt reinstated.
- 4.7 With the current economic climate, taxpayers may find it harder to pay local taxes such as Council Tax and Non Domestic Rates and as such, there may be an increase in the number of taxpayers who abscond with arrears owing. By not writing off bad debts efficiently, this can affect collection rates by inflating arrears figures.
- 4.8 All recovery action is carried out in line with the Corporate Debt Policy.

5 Main Considerations

- 5.1 This report is to be submitted to Cabinet for debts to be considered for write off. The last write off report was submitted to the Cabinet in June 2021.
- 5.2 Write off procedures have now been reviewed by the Interim Revenues & Benefits Manager. As a result the Director for Corporate Services will be requesting the delegation limits are reviewed and increased in March 2023 in order to process these types of debts more effectively. The new procedures clearly set out the steps that are needed to be taken by officers before debts can be considered for write off. This will depend on the level of debts with lower amounts potentially being uneconomical to pursue, for debtors that cannot be traced the level at which tracing agents will be used, what documentation is required before a debtor or company can be declared bankrupt, as well as what processes to follow in the case of deceased debtors. At all times a balance needs to be struck between ensuring all appropriate steps have been taken against the resources that are needed to recover the debt.
- 5.3 It should be noted the Revenues Team were and continue to be responsible for administering several grant schemes for Business Rates payers, test and trace payments and energy support payments to the public during and post pandemic. As a result, a considerable amount of Revenue officer and resources were diverted from the normal day to day work to ensure these grant schemes were paid and delivered on time.
- 5.4 The table below summarises amounts outlined in the Appendices that are being requested for write off. However, although they are being requested for write off in 2022/23 they do not necessarily relate to 2022/23. This is due to the varying timescales that debt recovery processes can take.

Fund	Value
Council Tax	£97,849.93
Sundry Debtors	£28,864.54
Rents	£71,021.40
Business Rates	£25,318.40

- 5.5 The table below is an analysis of what has been written off in previous years, including 2022/23. However please note that it is the year in which the debt is written off and not necessarily the year it relates to. The figures above aren't included in the table below.

Fund (£000s)	2018/19	2019/20	2020/21	2021/22	2022/23
Council Tax	£163,955	£122,961	£62,531	£77,022	£15,934
Business Rates	£190,050	£49,122	£14,535	£20,631	£667
Sundry Debtors	£32,472	£19,387	£9,612	£12,252	£2,493

Rents	£60,761	£81,461	£13,797	£37,377	£6,473
-------	---------	---------	---------	---------	--------

5.6 All debts that are being considered for write off have followed the steps outlined in the Corporate Debt Policy. The necessary recovery action has taken place where applicable prior to recommending for write off.

6 Options Considered

6.1 The debts in question are not written off and we continue to pursue and recover. This would mean officer time would be diverted away from recovering debts where there is a more realistic chance of recovery.

This could in turn lead to the Council being criticised by external auditors for not following debt management and accounting procedures.

7 Consultation

There was no consultation required as part of this report.

8 Next Steps – Implementation and Communication

Once authorised the debts in question are written off within the applicable system and the relevant write off reconciliation will take place within the Revenues and Housing teams.

9 Financial Implications

9.1 Clear processes for the writing off of irrecoverable debts represent sound financial management practice. Provision for bad debts is also made in the Council accounts.

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

10.1 Cabinet approval is required for the write off of debts in excess of £2,500 as per the Council's Financial Procedure Rules. Debt recovery is undertaken in line with the Council's Debt Recovery Policy and is reasonable and proportionate.

Legal Implications reviewed by: Monitoring Officer

11 Equality and Safeguarding Implications

11.1 An Equality Impact Assessment has been undertaken with regard to debt management and this should be referred to for full details on any implications. As part of the Equality Impact Assessment it was confirmed that the Council will adopt a consistent approach when considering debts for write off, ensuring that all cases are assessed against the same criteria.

12 Community Safety Implications

12.1 There are no community safety implications arising from this report.

13 Environmental and Climate Change Implications

13.1 There are no environmental and climate change implications arising from this report.

14 Other Implications (where significant)

14.1 There are no other implications arising from this report.

15 Risk & Mitigation

- 15.1 By the nature, volumes, and value of annual revenue to the Council there will always be uncollectable amounts which will be recommended for write off once avenues to recover are exhausted. Provision for bad debt is made and reviewed regularly.
- 15.2 If proper debt management and accounting procedures are not followed in the management and writing off of debt the Council could be criticised by external audit.

16 Background Papers

- 16.1 There are no additional background papers to the report

17 Appendices

- 17.1 Exempt Appendix 1 (i and ii)- Council Tax Debts
- 17.2 Exempt Appendix 2 – Rents Debts
- 17.3 Exempt Appendix 3 – Sundry Debtors Debts
- 17.4 Exempt Appendix 4 – Business Rates Debts

Report Author:	Kevin Legg , Interim Revenues and Benefits Manager
Report Author Contact Details:	01664 502403 klegg@melton.gov.uk
Chief Officer Responsible:	Dawn Garton , Director of Corporate Resources
Chief Officer Contact Details:	01664 502444 dgarton@melton.gov.uk