



Corporate Debt Write-offs

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Lead Member/Relevant Portfolio Holder	Councillor Sarah Cox - Portfolio Holder for Corporate Finance, Property and Resources

Corporate Priority:	Ensuring the right conditions to support delivery (inward)
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Exempt Information:	Appendix 1,2,3 & 4 of this report contains exempt information and is not for publication in accordance with Paragraph 1 & 3 of Part 1 of Schedule 12A of the Local Government Act 1972.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 a) Incurring Expenditure of £50,000 or more
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 £5,000, 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 of 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 2022/23 was 98.39% and Business Rates collection was 98.28%.
- 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 £5k to the Director for Corporate Services under the Scheme of Delegation. Above this threshold, debts (greater than £5k) may be written off by the Cabinet. Cabinet are being asked to write off debts of £213,147.42 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 if 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 February 2023

- 5.2 Write off procedures have recently been reviewed by the Revenues & Benefits Manager. As a result the Director for Corporate Services requested the delegation limits were reviewed and increased in order to process these types of debts more effectively. These increased limits were approved by Council. 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 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 2023/24 they do not necessarily all relate to 2023/24. This is due to the varying timescales that debt recovery processes can take.

Fund	Value
Council Tax	£25,188.80
Sundry Debtors	£40,242.30
Rents	£47,106.36
Business Rates	£100,609.96

- 5.4 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	£131,002
Business Rates	£190,050	£49,122	£14,535	£20,631	£25,779
Sundry Debtors	£32,472	£19,387	£9,612	£12,252	£98,285
Rents	£60,761	£81,461	£13,797	£37,377	£91,985

- 5.5 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 attempt to 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

- 7.1 There was no consultation required as part of this report.

8 Next Steps – Implementation and Communication

- 8.1 Once authorised the debts in question are written off within the applicable system and the relevant write off reconciliation will take place within either the Revenues or 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 to write off debts exceeding £5,000 as per the Council's Financial Procedure Rules. Debt recovery is undertaken in line with the Council's Corporate Debt Policy and is both reasonable and proportionate. Cabinet must consider whether there is any realistic prospect of recovering the debts concerned.

Legal Implications reviewed by: C. Tobin, Assistant Director Law and Governance, 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 Data Protection Implications

- 12.1 A Data Protection Impact Assessments (DPIA) has not been completed as there are no risks/issues to the rights and freedoms of natural persons However the relevant appendices have been considered as exempt for data protection purposes.

13 Community Safety Implications

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

14 Environmental and Climate Change Implications

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

15 Other Implications (where significant)

15.1 There are no other implications arising from this report.

16 Risk & Mitigation

- 16.1 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.
- 16.2 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.
- 16.3 The Council has implemented a revised income management policy and procedure to ensure that pre-court eviction protocols are followed in relation to tenancy action including ensuring provision of advice and support in relation to rent arrears and income maximisation. Increased focus on income and debt management is important to reduce the risk of unrecoverable debt.
- 16.4 The Council has also changed its tenancy management process. Pre tenancy interviews are now conducted with prospective tenants including a review of affordability, tenancy history, support needs and where possible, payment of rent in advance. Where debt relief orders are implemented, households may remain as council tenants but will be required to pay ongoing rent payments (outside of the scope of the DRO) and the council must work with tenants to avoid rent arrears accruing in the future.
- 16.5 The Council's Housing Allocations Policy confirms that housing related debts are taken into consideration when an application is made to the join the housing register. Where debts have previously been written off they can if not related to a Debt Relief Order be written back to the account to be cleared before an application is progressed. Applicants may join the scheme in some circumstances but will be required to adhere to a sustained payment arrangement and each case would be assessed individually. Applicants with any housing related debt are advised strongly to make arrangements to reduce or clear this to improve their prospects of receiving a housing offer. The housing allocations policy can be found here, section 10.3 refers to housing related debts: [Choice Based Lettings and Housing Allocations Policy \(melton.gov.uk\)](#)

17 Background Papers.

17.1 There are no background papers to the report

18 Appendices

- 18.1 Exempt Appendix 1 – Council Tax Debts
- 18.2 Exempt Appendix 2 – Rents Debts
- 18.3 Exempt Appendix 3 – Sundry Debtors Debts
- 18.4 Exempt Appendix 4 – Business Rates Debts