

## SLOUGH BOROUGH COUNCIL

<b>REPORT TO:</b>	Cabinet
<b>DATE:</b>	27 February 2023
<b>SUBJECT:</b>	Approval to write-off individual debts greater than £15,000
<b>CHIEF OFFICER:</b>	Steven Mair – Executive Director – Finance and Commercial (S151)
<b>CONTACT OFFICER:</b>	Andy Jeffs – Interim Head of Transactions – Revenues, Benefits and Charges
<b>WARD(S):</b>	All
<b>PORTFOLIO:</b>	Cabinet Member for Customer Services, Procurement and Performance – Councillor Ajajib
<b>KEY DECISION:</b>	Yes
<b>EXEMPT:</b>	No
<b>DECISION SUBJECT TO CALL IN:</b>	Yes
<b>APPENDICES:</b>	Appendix A – Adult Social Care £15,000+ Write Off Requests Appendix B – Council Tax £15,000+ Write-off Requests Appendix C – Business Rates £15,000+ Write Off Requests

### **1 Summary and Recommendation**

- 1.1 This report seeks approval to write-off uncollectable debts that exceed £15,000 in relation to Adult Social Care, Council Tax and Business Rates. The aggregate total value of these debts is £1.186m covering the period 1997 to 2022.
- 1.2 All cases requested for write-off follow a lengthy process to attempt to recover the outstanding money, sometimes dating back many years. Only after all avenues have been exhausted will the Council consider writing off debt. Once debts have been identified as uncollectable and require Cabinet approval for write-off a request for this should be made in a timely manner. Unfortunately, this has not been the case, but this will be rectified going forward.
- 1.3 Given the high volume and value of invoices and bills issued by the Council there will always be a requirement to write-off an element of debt as uncollectable and that is factored into the Collection Fund calculation and the Council holds a Bad Debt Provision for uncollectable debt in its accounts.

## Recommendations

Cabinet is recommended to:

- (a) authorise the write-off of those debts identified in the report.

## Reason

- 1.4 Financial Procedure rules require Cabinet to approve any individual debt write-off greater than £15,000

## Commissioner Review

- 1.5 The commissioners note the contents of the report and given the information provided on the debts and the process to seek recovery, they are content with the proposed action.

## 2 Report

### Introduction

- 2.1 The Council is responsible for the collection of Council Tax, Business Rates, Adult Social Care and Sundry Debts. This report sets out those debts over £15,000 that require write-off. Table 1 below provides a breakdown of the £1.186m by debt type and reason.

Table 1

Type of Debt	Reason for Write-off	Amount £000	No. of Accounts
Adult Social Care	Deceased no estate	165	8
Council Tax	Deceased no estate	20	1
Business Rates	Absconded	104	3
	Administration	163	4
	Bankrupt	34	1
	Dissolved	130	5
	Liquidation	570	10
<b>Total</b>		<b>1,186</b>	<b>32</b>

### Background

- 2.2 In accordance with good financial management principles, the Council makes appropriate bad debt provision for the revenue streams detailed in this report. This provision recognises that a proportion of the Authority's debts will prove irrecoverable and ensures that the value of debtors within the Authority's accounts is a fair reflection of the amount that will eventually be recovered.
- 2.3 All debts, taxes and rates within the service's control are actively pursued, and in most instances are collected with little difficulty. In cases where payment is not received on time, a reminder will be issued promptly to the debtor. If this fails to secure payment, a final reminder and/or a summons will also be issued and if necessary, the debt passed

to an appropriate collection agent such as Enforcement Agents or HB Public Law to secure payment.

- 2.4 Sometimes, however, if a debtor is having difficulty making the payment, special arrangements are used to effect recovery, and this may mean extending the period to collect the debt.
- 2.5 In some cases, pursuit of an outstanding debt is not possible for a variety of reasons, such as bankruptcy or liquidation and such cases under £1,000 can be written off by the Head of Transactions, or between £1,000 and £15,000 the Executive Director of Finance and Commercial under delegated authority. Cases where the debt exceeds £15,000 must, however, be approved by Cabinet prior to the debt being written off.
- 2.6 A record is kept of debts written off, together for the reason for doing so, so that if there is a realistic chance of recovery in the future a debt may be written back on and pursued again. Subject to having an enforceable order – or for Council Tax a liability order where there is no time limit for enforcement action. By writing off debt, you are not cancelling the order, so some people do come back and pay off debts if it is affecting their credit rating.

### **Adult Social Care Debt**

- 2.7 There are eight debts over £15,000, totalling £165,285 that need approval from Cabinet to write-off. The debts all relate to the provision of Adult Social Care where the people receiving the care passed away and where the estates had no assets. Please see Appendix A for more details.
- 2.8 Each year the Council raises 20,000 invoices totalling approximately £58m.

### **Council Tax**

- 2.9 There is one debt for £20,214 that needs approval from Cabinet to write-off. The debt covers the period 1997 to 2018. The debtor is deceased and at the time of their death had no assets. Please see Appendix B for more details.
- 2.10 Since 2009/10 the Council has previously written off a total of £1.7m, 0.22% of the collectable Council Tax billed over that period. The eventual collection rate for Council Tax is currently 97.93% over the same period. In more recent years the eventual collection is higher at 98.5%. As at the end of December 2022 net previous year arrears outstanding, 1.85% of accounts raised in the period was £17.4m. This debt is being actively pursued although the current project to analyse the collectability of this debt is identifying a requirement for further write-offs which will be actioned as per the Council's debt policy.

### **Business Rates**

- 2.11 There are 23 debts totalling £1,001,162 that needs approval from Cabinet to write-off. In the bulk of the cases, 20 totalling £896,713 the businesses ceased trading with no assets. For the remaining two cases which totalled £71,305 the Business Rates payers absconded and could not be traced. Please see Appendix C for more detail.
- 2.12 Since 2010/11 the Council has previously written off a total of £16.2m, 1.59% of the Business Rates billed. The eventual collection rate for Business Rates is 98.03% over

the same period. As with Council Tax the eventual collection in more recent years is higher at 98.7%. As at the end of December 2022 net previous year arrears outstanding, 0.38% of accounts raised in the period was £5.020m. This debt is being actively pursued.

### **3 Implications of the Recommendations**

#### **3.1 Financial implications**

3.1.1 For Council Tax and Business Rates the amounts collected are held in the collection fund and the amount assumed for collection in the budget is credited to the Council's general fund. Any variation to the amount collected is managed through the collection fund and variances dealt with in the following financial year. Provision is made in the collection fund for bad debts which is assumed in the amount included in the council budget.

3.1.2 For Council Tax 88% of the amount collected is due to the Council and the remaining 12% is for preceptors, Police, Fire and Parish Councils. So, the impact on the Council's element of the Collection fund for the debts written off is £17,788, 88% of the £20,214.

3.1.3 For Business Rates 50% of the debt is collected on behalf of government and 1% on behalf of the Fire Authority so the impact on Council's element of the Collection Fund is £490,569, 49%.

#### **3.2 Legal implications**

The Council has a debt management policy and a specific policy for recovery of Adult Social Care debts. Both policies cover the need to write off debts when they are deemed uncollectable. Council tax collection is governed by a specific statutory framework which provides for a liability order being made and various different options for enforcement, including attachment to earnings, charge against property and bailiff action. Use of these powers is governed by a policy and procedures to ensure fair collection methods.

#### **3.3 Risk management implications**

3.3.1 There are no specific issues arising directly from this report. It is important that the Council regularly reviews its debts and make appropriate write off decisions to ensure there is clarity on the level of bad debt provision and that enforcement action and collection rates are regularly benchmarked and reviewed.

#### **3.4 Environmental implications**

3.4.1 There are no specific environmental implications arising directly from this report.

#### **3.5 Equality implications**

3.5.1 There are no equality implications arising directly from this report. The policies referred to above consider the equality implications of certain debt collection. This is particularly relevant in relation to the collection of Adult Social Care debt.

### 3.6 Procurement implications

3.6.1 There are no procurement implications arising directly from this report.

### 3.7 Workforce implications

3.7.1 There are no workforce implications arising directly from this report.

### 3.8 Property implications

3.8.1 There are no property implications arising directly from this report.

## **4 Background Papers**

None