

Finance and Resources Committee

10.00am, Thursday, 3 November 2016

Annual Report – Debt Write-off

Item number	7.8
Report number	
Executive/routine	
Wards	

Executive Summary

The Council's Corporate Debt Policy requires an annual summary of in-year write-offs to be reported to Finance and Resources Committee. This report provides Members with a summary of debt income streams deemed uncollectable and written-off during 2015/16.

Debts are only written-off when all possible methods of recovery have been exhausted and/or no formal litigation would be appropriate due to the nature and level of debt.

The Council is required to write-off debt where there is little likelihood of debts being recovered. This is good accounting practice and is carried out at the end of each financial year. Where debts are written-off, the Council will still pursue recovery action if there is a material change of circumstance, such as debtor can be traced or becomes solvent, with a demonstrated ability to pay.

Annual Report – Debt Write-Off

1. Recommendations

- 1.1. It is recommended that Committee notes:
 - 1.1.1. the sums due to the Council that have been written-off during 2015/16 and the low value (0.9%) this represents compared to the overall level of income collected;
 - 1.1.2. the Write-Off value is consistent with 2015/16; and
 - 1.1.3. while a debt is declared written-off for accounting purposes, cases can be re-opened at any stage to pursue payment should the debtor be traced or become solvent.

2. Background

- 2.1 The Council's Corporate Debt Policy approved on 3 September 2013, and reviewed and updated by the Corporate Policy and Strategy Committee on 9 June 2015, requires an annual summary of in-year write-offs to be reported for scrutiny by the Finance and Resources Committee.

3. Main report

- 3.1 Customers, citizens and businesses within Edinburgh 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 pursued by the Council.
- 3.2 The Council adopted a Corporate Debt Policy in September 2013. This policy was developed around the principles of proportionality, consistency and transparency, and was subject to consultation and engagement with elected members, equalities and anti-poverty groups.
- 3.3 The Corporate Debt Policy allows a measured response to debt recovery, while recognising 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 best practice. The Council has sought to minimise the cost of write-offs by taking all appropriate action to recover what is due, with write-offs a last resort after exhausting all other avenues.

- 3.4 As a result of the time elapsing between invoice issue and any decision to write-off amounts due, the sums written-off do not directly relate to the amounts billed during the year. This applies particularly in the case of parking charges, where the level of in-year write-offs in 2015/16 reflected amounts due in respect of prior years.
- 3.5 The summary write-offs reported in Appendix 1 comprise those debts written-off in accordance with the Corporate Debt Policy.
- 3.6 Appendix 2 provides typical considerations leading to debt being written-off.
- 3.7 An analysis of the reasons for miscellaneous/sundry, Council Tax and Non Domestic Rates debt write-offs is detailed in Appendix 3.
- 3.8 Parking/Bus Lane Charges written-off are substantially higher in terms of the percentage of total debt collected. The nature of this debt makes it more difficult to collect and Appendix 4 gives a detailed breakdown to demonstrate the reasons for write-off.

4. Measures of success

- 4.1 The percentage of the total debt written-off is comparatively low and demonstrates that every action is taken to recover debt owed to the Council prior to any decision to write-off debt.
- 4.2 Debt recovery projections are realistic and write-offs are fully provided for each financial year.

5. Financial impact

- 5.1 This report details a total of written-off debt which should be viewed in the context of overall value of income collected and, in terms of Housing Benefit, paid out i.e. the percentage of debt written-off, at 0.9%, is low in comparison to the sums concerned. This proportion is furthermore in line with the level of write-offs in recent years.
- 5.2 Parking and traffic enforcement has a higher percentage than other work streams. The reasons for this are detailed in Appendix 4.
- 5.3 The write-off process is part of the Council's recognised accounting practices. This action ensures that debt recovery projections are realistic and that write-offs are fully provided for within each service's projected financial outturn.
- 5.4 A number of the debts written off are secured through inhibitions and/or charging orders. The Committee receives a regular update on inhibitions, as part of its consideration of sundry debt write-offs. As detailed on Appendix 3, 15% of the write-off value identified under miscellaneous/sundry debt is underpinned by inhibitions. As a result any free proceeds from the future sale of the identified assets are used to settle the appropriate debt. The Council will also continue to seek settlement through relevant liquidation, administration and sequestration procedures.

6. Risk, policy, compliance and governance impact

- 6.1 All write-offs are carried out in accordance with the relevant provisions contained within the Council's Corporate Debt Policy.

7. Equalities impact

- 7.1 There is no direct equalities impact arising from this report.

8. Sustainability impact

- 8.1 There is no adverse environmental impact arising from this report.

9. Consultation and engagement

- 9.1 Not applicable.

10. Background reading/external references

- 10.1 [Review of Corporate Debt Policy](#), Corporate Policy and Strategy Committee, Tuesday 23 February 2016
- 10.2 Miscellaneous Debts – Write-Off, Finance and Resources Committee, Thursday 8 September 2016 (B Agenda Item)
- 10.3 [Annual Report – debt write-off](#), Finance and Resources Committee, Thursday 28 August 2014
- 10.4 [Operational Governance Framework – Review of Scheme of Delegation](#), City of Edinburgh Council, 12 December 2013
- 10.5 [Compliance and Governance: Corporate Debt Policy](#), Corporate Policy and Strategy Committee, Tuesday, 3 September 2013

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10. Links

Coalition Pledges	P30 - Continue to maintain a sound financial position including long-term financial planning
Council Priorities	CO25 – The Council has efficient and effective services that deliver on agreed objectives
Single Outcome Agreement	SO1 – Edinburgh’s economy delivers increased investment, jobs and opportunities for all SO2 – Edinburgh’s citizens experience improved health and wellbeing, with reduced inequalities in health SO3 – Edinburgh’s children and young people enjoy their childhood and fulfil their potential SO4 – Edinburgh’s communities are safer and have improved physical and social fabric
Appendices	Appendix 1 - Summary of written-off debt in 2015/16 Appendix 2 - Reasons for recommending write-off of debt (excl Parking) Appendix 3 - Sundry debt analysis Appendix 4 - Parking and Bus Lane Charges

Summary of written-off debt in

Debt Type	Total Collected/Paid	Total Write-Off	% of Overall Collected/Paid	Comparison 2014/15 % of Overall Collected/Paid
Miscellaneous*	£109,681,000	£941,971	0.8%	1.0%
Parking**	£5,930,992	£767,594	12.9%	18.9%
Council Tax	£310,999,626	£1,935,647	0.6%	0.7%
Non Domestic Rates	£374,453,673	£5,324,991	1.4%	1.0%
Housing Benefit Overpayment*	£196,116,000	£715,182	0.4%	0.4%
Total	£997,181,291	£9,685,385	0.9%	0.9%

*Of £941K amount written off under delegated authority was £335K, with the remainder receiving Committee approval as part of the agreed write-off limits detailed in the Council's Finance Rules.

Miscellaneous debt comprises a variety of debt types not included within any of the specific categories identified above, including sums due in respect of non-HRA rental properties, Health and Social Care accommodation and other related charges and trade waste. Sundry debt also includes amounts relating to billing undertaken on behalf of the Business Improvement Districts and Lothian Pension Fund. Further details of the amounts written off, and the reason for these Write-Offs are shown at Appendix 3.

** The total level of parking-related write-offs in 2015/16 Penalty Charge Notices/Bus Lane relate to charges issued in 2015/16. Further details of the amount written off and the reason for these write-offs are shown in appendix 4.

The trial agreement with European Parking Collections with the aim of reducing the number of notices written-off resulting from vehicles being registered outside the United Kingdom is complete and will be included in the Parking Enforcement Contract year 3 commencing October 2016. £71,665 was collected in 2015/16 as a result of this agreement.

NB Write-offs relating Housing Rents are reported under separate cover to the appropriate Committee.

Reasons for recommending write-off of debt (not including Parking Services)

1	Collection Agent Report	No available funds or assets to attach
2	Inhibition Registered	Debtor prevented from free disposal of assets, full recovery probable on asset realisation
3	Charging Order	Deferred payment of statutory repairs or residential care fees as charges recorded on debtor's property
4	Unemployed	No Attachable Assets, uneconomic to proceed
5	Legal Services advice	Debt unenforceable in Sheriff Court
6	Legal Services advice	Debt prescribed/time barred to pursue
7	Property repossessed	Shortfall in funds
8	Debt Unenforceable	Statutory Notice not served on Property/Owner
9	Irrevocable Mandate Held	No free funds on sale
10	Director of Health and Social Care advice	Enforcement would cause undue financial hardship
11	In prison	Debts not enforceable
12	Full and Final Settlement	Balance irrecoverable
13	Trust Deed	Debtor has multiple debts and affairs now handled by Trustee, dividend expected
14	Absconded/No Trace	All reasonable attempts to find the debtor have failed.
15	Deceased	Insufficient or no funds in the Deceased's estate to pay the amount outstanding.
16	Uneconomical to pursue / pursue further	When all recovery processes have been tried or considered or the cost of proceeding would be prohibitive.
17	Sequestration/Liquidation / Administration	Suitable claim has been made

Analysis of sundry debt written off

The table below shows an analysis of debt types included within Sundry Debt and the reasons for these amounts being written-off.

Debt Type	Company dissolved / in liquidation / sequestration / bankruptcy / trust deed	Inhibition registered	No available funds	Recovery exhausted	Service Manager Request	Whereabouts unknown	Total Written Off	Write Off Recoveries	Net Amount Written Off
Accommodation Charges			£149.14	£57,541.66	£16,190.20	£3,724.00	£77,605.00	(£1,789.26)	£75,815.74
Care at Home / Home Care		£5,625.36	£1,627.92	£47,798.32	£2,774.80	£6,330.68	£64,157.08	(£75.90)	£64,081.18
Children and Families services		£296.23		£29,181.71		£4,685.36	£34,163.30	(£112.84)	£34,050.46
Court Fees				£85,494.27		£1,960.98	£87,455.25	(£110.00)	£87,345.25
Other Services	£35,508.78	£34,561.05		£47,951.86		£6,290.50	£124,312.19	(£2,217.82)	£122,094.37
Overpaid Housing Benefit	£6,410.82			£60,943.02		£1,207.72	£68,561.56	(£4,945.52)	£63,616.04
Rents (commercial property)	£41,035.06	£17,664.88		£30,105.42		£455.71	£89,261.07	(£5,175.46)	£84,085.61
Repairs	£875.73			£11,523.58			£12,399.31	(£1,053.57)	£11,345.74
Social Work Services	£10,726.38		£5,690.75	£33,108.00	£38,123.40	£1,186.92	£88,835.45	(£430.00)	£88,405.45
Statutory Repairs	£42,520.06	£84,089.04		£88,373.88	£55,745.25	£845.66	£271,573.89	(£46,948.93)	£224,624.96
Supporting People Charges			£411.60	£27,828.37		£4,114.62	£32,354.59	(£61.36)	£32,293.23
Theatres and Halls	£1,238.89			£537.10			£1,775.99	£0.00	£1,775.99
Trade Waste	£10,150.05	£1,068.17		£32,723.47		£8,699.94	£52,641.63	(£204.04)	£52,437.59
Total Written Off	£148,465.77	£143,304.73	£7,879.41	£553,110.66	£112,833.65	£39,502.09	£1,005,096.31	(£63,124.70)	£941,971.61

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Analysis of Council Tax, Non Domestic Rates debt and Housing Benefit Overpayment written-off

The table below shows an analysis of debt types and the reasons for these amounts being written-off.

Debt Type	Recovery Exhausted	No Available Funds	Service Manager Request	Whereabouts unknown	Liquidation / Administration / Trust Deed, etc	Legal Advice/ Appeal Decisions	System Adj/ Anomalies	Transfers btw Claims/Properties	Total Written- Off
Council Tax	£40,777.04	£456,137.51	£32,652.76	£1,866.13	£1,379,950.75	£17,198.38	£7,064.86	£0.00	£1,935,647.43
NNDR	£5,893.22	£3,344,242.74	£82,169.01	£198,217.94	£1,694,407.25	£0.00	£61.12	£0.00	£5,324,991.28
Housing Benefit Overpayments	£0.00	£102,172.52	£16,973.57	£33,286.99	£101,513.82	£30,573.30	£430,661.39	£0.00	£715,181.59

Notes

Council Tax

Total written-off was £1,949,760.60 and £14,113.17 was written back on, leaving net of £1,935,647.43

NNDR

Total written-off was £5,439,807.87 and £114,816.59 was written back on, leaving net of £5,324,991.28. This occurs when there is a change of circumstances and the Council recommences recovery action.

Housing Benefits

Transfers between properties - these are mainly write-offs done as manual adjustments to enable O/Ps to be transferred and manually created in another btw claims i.e. written-off in one claim

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Parking and Bus Lane Charges

Description	Total	Write-Off Amount
PENALTY CHARGE NOTICES		
W01-AAF - Write-Off SO - All Actions Failed	875	£78,163.80
W01-DD - Write-Off Deceased	48	£3,908.10
W01-FD - Write-Off Foreign driver	914	£33,180.00
W01-FV - Write-Off WOFF Foreign Vehicle	746	£44,310.00
W01-MM - Write-Off Make mismatch no photos	10	£600.00
W01-NP - Write-Off No pindable effects	1642	£147,305.25
W01-NT - Write-Off No trace at DVLA	1456	£88,770.00
W01-OJ - Write-Off SO Outwit jurisdiction	108	£9,720.00
W01-OV - Write-Off Overseas Hirer	17	£900.00
W01-SEL/LIQ/REC - Write-Off SEL/LIQ/REC	70	£6,218.10
W01-SO - Write-Off SO Unable to trace	2327	£209,210.00
W01-UK - Write-Off Unable to trace Keeper/Owner	1168	£81,120.00
W01-UP - Write-Off Unable to process	2	£120.00
W01-EU - Write-Off EPC Uncollectable	136	£8,250.00
Total Penalty Charges Written -Off	9519	£711,775.25
BUS LANE NOTICES		
W01-AAF - Write-Off SO - All Actions Failed	91	£8,090.90
W01-BLAAF - Write-Off Bus Lane - SO All Actions Failed	1	£87.85
W01-BLDD - Write-Off Bus Lane - Deceased	3	£240.00
W01-BLFD - Write-Off Bus Lane - Foreign Driver	12	£630.00
W01-BLFP - Write-Off Bus Lane - Payment Made On Time	1	£30.00
W01-BLFV - Write-Off Bus Lane - WOFF Foreign Vehicle	35	£1,110.00
W01-BLMM - Write-Off Bus Lane - Make Mismatch	1	£30.00
W01-BLNP - Write-Off Bus Lane - No Pindable Effects	4	£360.00
W01-BLNT - Write-Off Bus Lane - No Trace At DVLA	690	£22,050.00
W01-BLUK - Write-Off Bus Lane - Unable To Trace Keeper/Owner	436	£23,190.00
Total Bus Lane Charges Written-Off	1274	£55,818.75
Combined total	10793	£767,594