

# Finance and Resources Committee

10.00am, Tuesday, 23 January 2018

## Annual Report – Debt Write-off

Item number	7.10
Report number	
Executive/routine	
Wards	
Council Commitments:	None

### Executive Summary

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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. 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 income streams deemed uncollectable and written off during 2016/17.

Debts are only written off when all possible methods of recovery have been exhausted and/or no formal legal action would be appropriate due to the nature and level of debt. Where debts are written off, the Council will still pursue recovery action if there is a material change of circumstance, such as the debtor can now be traced or they become solvent, with a demonstrated ability to pay.

## Annual Report – Debt Write-off

### 1. Recommendations

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- 1.1 It is recommended that Committee notes:
  - 1.1.1 the sums due to the Council that have been written off during 2016/17 and the low value (0.72%) this represents compared to the overall level of income collected;
  - 1.1.2 write off values for 2016/17 (0.72%) are lower than 2015/16 (0.9%); and
  - 1.1.3 while a debt is written off for accounting purposes, cases will be reviewed, and payment appropriately pursued, if there is a material change in the debtor's circumstances.

### 2. Background

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- 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 8 August 2017, requires an annual summary of in-year write-offs to be reported for scrutiny by the Finance and Resources Committee.

### 3. Main report

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- 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 the Council pursues all monies due.
- 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 monies only being written off as a last resort after exhausting all other avenues.

- 3.4 Due to the time elapsing between invoice issue and any decision to write off amounts due, the sums written off may 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 2016/17 includes amounts due in prior years.
- 3.5 The summary write-offs reported in Appendix 1 comprise of those debts written off in accordance with the Corporate Debt Policy and the Council's agreed Finance Rules. For the major income streams of Council Tax and Non Domestic Rates write-off levels have reduced when comparing 2016/17 to 2015/16. This is consistent with improved collection trends over recent years for these important income streams.
- 3.6 The write-off value for Parking/Bus Lane Charges is, however higher in 2016/17. This is a result of a proactive exercise carried out by Sheriff Officers to cleanse redundant cases from previous years, with larger than normal volumes written off in 2016/17.
- 3.7 Appendix 2 provides typical considerations leading to debt being written off and an analysis of the reasons for miscellaneous/sundry, Council Tax and Non Domestic Rates debt write offs is detailed in Appendix 3.

#### **4. Measures of success**

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- 4.1 The percentage of the total debt written off remains comparatively low and demonstrates that every action is taken to recover debt owed to the Council prior to any write off decision.
- 4.2 The write-off process is part of the Council's recognised accounting practices. This action ensures that debt recovery projections remain realistic and that write-offs are fully provided for within each service's projected financial outturn.

#### **5. Financial impact**

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- 5.1 This report details write-off debt values 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 0.72%, is low compared with the sums involved. As a result of improvement initiatives within Customer and across the Council the write-off value in 2016/17 is £2.5M less than reported in 2015/16.
- 5.2 Parking and traffic enforcement has a higher percentage of write offs than other streams. This is consistent with historical trends and reflects the nature of the debt type. The reasons for these write off values are detailed in Appendix 4.
- 5.3 Where appropriate, debts will be secured through inhibitions and / or charging orders. As detailed in Appendix 3, 27% of the write off value identified under miscellaneous/ sundry debt is underpinned by inhibitions. As a result of these actions 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 liquidation, administration and sequestration procedures relevant to the debt type.

## **6. Risk, policy, compliance and governance impact**

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

## **7. Equalities impact**

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

## **8. Sustainability impact**

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

## **9. Consultation and engagement**

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- 9.1 Not applicable

## **10. Background reading/external references**

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- 10.1 [Review of Corporate Debt Policy, Corporate Policy and Strategy Committee, Tuesday 8 August 2017](#)
- 10.2 [Miscellaneous Debts – Write Off, Finance and Resources Committee, Thursday 28 September 2017 \(B Agenda Item\)](#)
- 10.3 [Annual Report – debt write-off, Finance and Resources Committee, Thursday 3 November 2016](#)
- 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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## 11. Appendices

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1. Summary of written-off debt.
2. Reasons for recommending write-off of debt.
3. Analysis of Sundry, Council tax and Non-Domestic Rates and Housing Benefit Overpayments debt written-off.
4. Parking Services debt written-off.

## Appendix 1 - Summary of Written-off Debt

Debt Type	Total Collected/Paid	Total Write-Off	% of Overall Collected/Paid	Comparison 2015/16 % of Overall Collected/Paid
Miscellaneous	£87,490,967	£1,040,979*	1.19%	0.8% (£941K)
Parking	£6,316,347	£1,541,823	24.41%	12.9% (£767K)
Council Tax	£316,527,700	£1,020,968	0.32%	0.6% (£1.9M)
Non Domestic Rates	£394,655,646	£3,385,552	0.86%	1.4% (£5.3M)
Housing Benefit Overpayment	£191,897,461	£180,274	0.09%	0.4% (£715K)
<b>Total</b>	<b>£996,888,121</b>	<b>£7,169,596</b>	<b>0.72%</b>	0.9% (£9.7M)

\*Of £1M, amount written off under delegated authority was £137K, 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.

## Appendix 2 - Reasons for recommending write-off of debt (excluding Parking)

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

### Appendix 3 - 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	Recovery exhausted	Service Manager Request	Whereabouts unknown	Total Written Off	Write Off Recoveries	Net Amount Written Off
Accommodation Charges			£23,467.36	£1,102.49	£217.63	£24,787.48	-£370.00	£24,417.48
Care at Home / Home Care			£66,314.79	£945.72	£503.04	£67,763.55	-£351.88	£67,411.67
Community and Families services		£10,568.26	£22,859.50		£2,179.14	£35,606.90	-£12,361.15	£23,245.75
Court Fees			£77,624.46		£323.53	£77,947.99	-£454.98	£77,493.01
Other Services	£247.51	£5,521.61	£103,254.25	£2,101.36	£761.99	£111,886.72	-£6,853.99	£105,032.73
Overpaid Housing Benefit			£56,975.49		£261.01	£57,236.50	-£6,114.52	£51,121.98
Rents (commercial property)	£6,299.17	£4,203.44	£27,576.77	£7,424.88	£1,200.00	£46,704.26	-£1,853.60	£44,850.66
Repairs		£17,789.29	£9,143.07		£1,199.03	£28,131.39	-£619.23	£27,512.16
Social Work Services			£15,980.75			£15,980.75	-£2,555.31	£13,425.44
Statutory Repairs		£265,512.09	£238,513.77	£739.83	£426.72	£505,192.41	-£13,099.99	£492,092.42
Supporting People Charges			£62,294.79	£798.00	£442.40	£63,535.19	-£300.84	£63,234.35



Theatres and Halls			£4,390.79			£4,390.79	£0.00	£4,390.79
Trade Waste	£4,833.52		£40,575.20		£1,380.81	£46,789.53	-£38.67	£46,750.86
<b>Total Written Off</b>	£11,380.20	£303,594.69	£748,970.99	£13,112.28	£8,895.30	£1,085,953.46	-£44,974.16	£1,040,979.30

### Appendix 3 - Continued Analysis of Council Tax, Non Domestic Rates and Housing Benefit Overpayments 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	Transfers btw Claims/Properties	System Ads / Anomalies	Total Written Off
Council Tax	£34,466.87	£301,635.19	£40,929.92	£0.00	£630,680.25	£17,636.49	£0.00	-£4,380.59	<b>£1,020,968.13</b>
NDR	£0.00	£2,551,949.33	£14,801.69	£75,976.78	£743,110.57	£0.00	£0.00	-£285.75	<b>£3,385,552.62</b>
Housing Benefit Overpayments	£0.00	£28,419.59	£5,697.75	£25,635.71	£5,622.97	£25,548.70	£89,349.36	£0.00	<b>£180,274.08</b>

#### Notes

**Council Tax** Total written off was £1,033,863.95 and £12,895.82 was written back on, leaving net of £1,020,968.13

**NDR** Total written off was £3,412,609.28 and £27,056.66 was written back on, leaving net of £3,385,552.62. System Adjs/Anomalies has a net value written back on.

**Housing Benefits** Transfers between properties - these are mainly write-offs done as manual adjustments to enable overpayments to be transferred and manually created in another between claims i.e. written off in one claim

**Service Manager Request** Relates to low value items where departmental discretion has been used, including complaints



## Appendix 4 - Parking Services debt written-off

Description	Total	Write Off Amount
<b>PENALTY CHARGE NOTICES</b>		
Sheriff Officer – all actions failed *	3989	£349,458.70
Company liquidated	56	£4,950.00
Deceased	85	£6,956.20
Diplomatic vehicle	3	£150.00
Foreign driver	532	£18,180.00
Foreign vehicle	585	£34,980.00
Make mismatch no photos	2	£120.00
Sheriff Officer - no pindable effects *	3929	£351,254.78
No trace at DVLA	1535	£93,040.25
Sheriff Officer – out with jurisdiction*	998	£89,211.75
Overseas hirer	3	£240.00
Sheriff Officer -SEL/LIQ/REC	274	£24,338.94
Sheriff Officer - unable to trace *	3083	£276,685.83
Unable to trace keeper/owner	896	£61,140.00
Unable to process	14	£930.00
European Parking uncollectable	1144	£68,700.00
<b>Total Written off</b>	<b>17128</b>	<b>£1,380,336.45</b>
<b>*Sheriff Officers carried out a cleansing exercise of old cases from previous years thus larger than normal volumes were written off in this period.</b>		
Description	Total	Write Off Amount
<b>BUS LANE CHARGES</b>		
Sheriff Officer-All actions failed	313	£27,677.50
Company Liquidation	2	£150.00
Foreign Driver	8	£270.00
Foreign Vehicle	17	£540.00
Make Mismatch at DVLA	3	£90.00
No Trace at DVLA	787	£25,020.00
Unable to trace keeper/owner	507	£26,460.00
Unable to process	2	£120.00
Deceased	11	£900.00
Sheriff Officer – no pindable effects	198	£17,762.85
Sheriff Officer – out with jurisdiction	30	£2,700.00
Sheriff Officer – Unable to trace	628	£56,329.10
European Parking collection	80	£2,400.00
Sheriff Officer - SEQ/LIQ/REC	12	£1,067.85
<b>Total Written Off</b>	<b>2598</b>	<b>£161,487.30</b>

<b>Combined Total</b>	<b>19726</b>	<b>£1,541,823.75</b>
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