

# Finance and Resources Committee

10.00am, Tuesday – 30 April 2024

## Annual Report – Debt Write-off

Executive/routine  
Wards  
Council Commitments

### 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 2022/23 and the low value (0.18%) this represents compared to the overall level of income.
  - 1.1.2 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.

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Executive Director of Corporate Services

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## Annual Debt Write-off

### 2. Executive Summary

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- 2.1 The Council continues to write-off debt where there is little likelihood of it being recovered. This is consistent with good accounting practice and is carried out each financial year. This report provides a summary of income deemed uncollectable and written off during 2022/23.
- 2.2 Debts are only written off when all methods of recovery have been exhausted and/or no formal legal action would be appropriate due to the nature or level of debt. Where debts are written off, the Council will 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 demonstrable ability to pay.

### 3. Background

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- 3.1 The Council's Corporate Debt Policy was originally approved on 3 September 2013, with the latest update approved by the Policy and Sustainability Committee on 9 January 2024. The policy requires an annual summary of write-offs to be reported to the Finance and Resources Committee.

### 4. Main report

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- 4.1 Citizens, customers, and businesses within Edinburgh have a responsibility to pay for the services they receive and the charges and rents they are liable for.
- 4.2 The Council adopted a Corporate Debt Policy in 2013. This policy was developed around the principles of proportionality, consistency, and transparency. This ensures a measured approach 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 unrecoverable it is subject to a write-off procedure, consistent with recognised accounting best practice.

- 4.3 The Council continues to minimise the impact of write-offs, with monies only being written off as a last resort, after all appropriate recovery actions have been exhausted.
- 4.4 Due to the elapsed time between invoice issue and any write off decision, the sums written off may not relate to the amounts billed during the year. This applies particularly in the case of parking charges and Sundry Debt, where the level of in-year write-offs includes amounts from prior years.
- 4.5 Appendix 1 details those debts written off in accordance with the Corporate Debt Policy and the Council's agreed Finance Rules.
- 4.6 An analysis of the reasons for miscellaneous/sundry, Council Tax and Non-Domestic Rates debt write offs is detailed in Appendix 2.
- 4.7 Appendix 3 provides an overview of factors leading to a debt being written off and Appendix 4 provides details of parking debt write-offs.

## **5. Next Steps**

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- 5.1 The identified write-offs in this report will be progressed following the standard accountancy process for each debt type.

## **6. Financial impact**

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- 6.1 This report details write-off debt values which should be viewed in the context of the overall value of income collected and, Housing Benefit paid out, with only 0.18% of debt written off.
- 6.2 Parking and traffic enforcement services have significantly reduced write off levels in 2022/23. This is due to an administrative exercise carried out in 21/22 that resolved untraceable debtors, but in the main was due to the introduction of a secondary Sherriff Officer that is now focused on this debt type. This debt type is considered in detail in Appendix 4.
- 6.3 Where appropriate, debts continue to be secured through inhibitions. As a result of these actions any free proceeds from the future sale of the identified assets are used to settle the debt. There were 73 Inhibitions settled in 22/23, the principal sum totalled £277,333 and the total paid including expenses and interest was £422,693.
- 6.4 The Council continues to seek settlement through liquidation, administration, and sequestration procedures relevant to the debt type.

## **7. Stakeholder/Community Impact**

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- 7.1 There is no direct impact on the wider community arising from this report.

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

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- 8.1 [Assurance Statement – Customer and Digital Services, Corporate Debt Policy, Policy and Sustainability Committee, Tuesday 9 January 2024](#)
- 8.2 [Operational Governance Framework – Review of Scheme of Delegation](#), City of Edinburgh Council, 12 December 2013

## **9. Appendices**

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

## Appendix 1 - Summary of Written-off Debt

Debt Type	Total Collected/Paid	Total Write-Off	% Written off of Overall Collected/Paid	Comparison 2021/2022 % of Overall Collected/Paid
*Miscellaneous	£116,558,121	£544,449	0.47%	2.17% (2.5M)
Parking	£7,070,103	£442,294	6.26%	19.06% (1.1M)
Council Tax	£406,892,664	£164,129	0.04%	0.06% (0.18M)
Non-Domestic Rates	£348,479,029	£142,693	0.04%	0.02% (0.03M)
Housing Benefit Overpayment	£157,238,914	£561,996	0.36%	0.34% (0.5M)
<b>Total</b>	<b>£1,036,238,831</b>	<b>£1,855,561</b>	<b>0.18%</b>	<b>0.6%</b>

\*Miscellaneous debt comprises a variety of debt types not included within the specific categories identified above, including sums due in respect of non-HRA rental properties, commercial rents, Health and Social Care accommodation and other related charges.

Further details of the amounts written off, and the reason for these write offs are shown at Appendix 2.

## Appendix 2 - Analysis of Sundry Debt Written-off

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

Debt Type Group	Company Dissolved/ liquidation/ sequestration/ trust deed	Deceased	Inhibition Registered	Insolvency	Recovery Exhausted	Service Manager Request	Whereabouts Unknown	Write Off Recoveries	Grand Total
Accommodation Charges		£54,592.27			£1,045.53	£2,934.17		-£152.80	£58,419.17
Care at Home / Home Care		£10,067.41			£30.36	£3,899.37	£137.00	-£162.26	£13,971.88
Children and Families services	£1,761.67		£2,974.75		£978.00		£15.25	-£181.00	£5,548.67
Edinburgh Shared Repairs Service	£20.76	£157.23	£2,113.54		£1,325.84			-£1,289.99	£2,327.38
Non-Council	£315,000.00		£7,301.65		£300.00				£322,601.65
Other Services	£23,093.88	£1,108.57	£9,715.19	£4,152.20	£8,553.71	£2,125.08		-£2,290.08	£46,458.55
Overpaid Housing Benefit	£4,753.94	£1,146.55			£2,211.40			-£1,479.13	£6,632.76
Rents (commercial property)	£3,975.00			£42,332.05		£22,121.36		-£263.41	£68,165.00
Repairs					£9.40			-£795.94	-£786.54
Social Work Services		£1,308.10						-£17.56	£1,290.54
Statutory Repairs	£148.81	£29.40	£675.32					-£12,961.73	-£12,108.20
Supporting People Charges	£1,467.40	£13,858.18			£1,677.04	£371.20		-£165.38	£17,208.44
Theatres and Halls	£13,805.40				£706.27				£14,511.67
Trade Waste					£217.64			-£9.52	£208.12
<b>Grand Total</b>	<b>£364,026.86</b>	<b>£82,267.71</b>	<b>£22,780.45</b>	<b>£46,484.25</b>	<b>£17,055.19</b>	<b>£31,451.18</b>	<b>£152.25</b>	<b>-£19,768.80</b>	<b>£544,449.09</b>

### Appendix 3 - 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 (all figures are net of write on).

Debt Type	Recovery Exhausted	No Available Funds	Service Manager Request	Whereabouts unknown	Liquidation/ Administration/ Trust Deed, Sequestration etc	Legal Advice/ Appeal Decisions	Transfers btw Claims/Properties	System Adjs / Anomalies	Total Written Off
<b>Council Tax</b>	40,030	2,078	190	0	107,410	14	0	14,407	<b>164,129</b>
<b>NDR</b>	0	58,654	141,328	0	14,378	0	0	-71,667	<b>142,693</b>
<b>Housing Benefit Overpayments</b>	0	173,620	34,515	48,516	119,115	7,504	178,722	5	<b>561,996</b>

#### Notes

#### **Transfers between Claims/Properties**

These are write-offs done as manual adjustments to enable O/Ps to be transferred btw claims. Written off in one claim and manually created in another.

#### **Service Manager Request**

Relates to low value items where departmental discretion has been used, including complaints. The high figure in NNDR relates to manual adjustments made in association with administering, Retail Hospitality and Leisure Relief.

### Appendix 3 - 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 managed 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 4 - Parking Services debt written-off

<b>Penalty Charge Notices</b>		
Write Off - Foreign Vehicle/Driver	1934	£109,070.00
Write Off - Recovery Activity Exhausted (Gone away etc)	1264	£112,603.21
Write Off - No Trace at DVLA (Investigation exhausted)	2132	£128,860.00
<b>Total Penalty Charge Notices</b>	<b>5330</b>	<b>£350,533.21</b>
<b>Bus Lane Notices</b>		
Write Off Bus Lane - Foreign Vehicle/Driver	312	£4,440.00
Write Off - Recovery Action Exhausted (Gone away etc)	826	£74,091.16
Write Off Bus Lane - No Trace At DVLA	2417	£13,230.00
<b>Total Bus Lane Notices</b>	<b>3555</b>	<b>£91,761.16</b>
<b>Grand Total</b>	<b>8885</b>	<b>£442,294.37</b>