

Finance and Resources Committee

10.00am, Friday, 23 January 2020

Annual Report – Debt Write-off

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 It is recommended that Committee notes that:
 - 1.1.1 the sums due to the Council that have been written off during 2018/19 and the low value (0.60%) this represents compared to the overall level of income collected;
 - 1.1.2 write off values for 2018/19 (0.60%) are lower than the 2017/18 (0.73%) levels; 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.

Stephen S. Moir

Executive Director of Resources

Contact: Nicola Harvey, Head of Customer and Digital Services

E-mail: nicola.harvey@edinburgh.gov.uk | Tel: 0131 469 5006

Annual Debt Write-off

2. Executive Summary

- 2.1 The Council is required to write off debt where there is little likelihood of it being recovered. This is good accounting practice and is carried out 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 2018/19.
- 2.2 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 or 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.

3. Background

- 3.1 The Council's Corporate Debt Policy approved on 3 September 2013 and reviewed and updated by the Policy and Sustainability Committee on 6 August 2019, requires an annual summary of in-year write-offs to be reported for scrutiny by the Finance and Resources Committee.

4. Main report

- 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. It is essential that the Council pursues all monies due.
- 4.2 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.
- 4.3 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.

- 4.4 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 2018/19 includes amounts due in prior years.
- 4.5 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 tracked closely comparing 2018/19 to 2017/18. This is consistent with consolidated collection trends over recent years for these important income streams.
- 4.6 Appendix 2 provides an overview of 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.
- 4.7 The Sundry Debt system has been rescheduled for replacement with Oracle in December 2020. This will provide a strategic solution for debt recovery.
- 4.8 Appendix 4 provides details of parking debt to be written -off for 2018/19. The write-off value for Parking/Bus Lane Charges is lower than in 2017/18. The introduction of additional Bus Lane cameras in 2019/20 is not anticipated to increase the percentage of debt historically written off.

5. Next Steps

- 5.1 Following approval, standard accountancy process will be followed for each debt type.

6. Financial impact

- 6.1 This report details write-off debt values which should be viewed in the context of overall value of income collected and, Housing Benefit, paid out i.e. the percentage of debt written off, at 0.60%, is low compared with the sums involved. As a result of continued improvement initiatives within Customer and across the Council the write-off value in 2018/19 continues to track at a consistently low level.
- 6.2 Parking and traffic enforcement have 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.
- 6.3 Where appropriate, debts will be secured through inhibitions and / or charging orders. As detailed in Appendix 3, 2% 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.

7. Stakeholder/Community Impact

7.1 There is no direct impact on stakeholders or community arising from this report.

8. Background reading/external references

8.1 [Review of Corporate Debt Policy, Policy and Sustainability Committee, Tuesday 6 August 2019](#)

8.2 [Miscellaneous Debts – Write Off, Finance and Resources Committee, Thursday 7 March 2019 \(B Agenda Item\)](#)

8.3 [Operational Governance Framework – Review of Scheme of Delegation](#), City of Edinburgh Council, 12 December 2013

8.4 [Compliance and Governance: Corporate Debt Policy](#), Corporate Policy and Strategy Committee, Tuesday, 3 September 2013

9. Appendices

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/Benefit Paid	Total Write-Off	% of Overall Collected/Paid 2018/19	Comparison 2017/18 % of Overall Collected/Paid
Miscellaneous	£106,578,741	£410,687*	0.39%	2.02% (£1.7M)
Parking	£5,976,019	£959,323	16.1%	18.63% (£1.2M)
Council Tax	£360,063,838	£1,520,177	0.42%	0.55% (1.9M)
Non-Domestic Rates	£391,633,970	£2,712,752	0.69%	0.50% (£1.9M)
Housing Benefit Overpayment	£187,152,485	£738,961	0.39%	0.31% (£0.6M)
Total	£1,051,405,053	£6,341,900	0.60%	0.73%

*Of £0.4M, amount written off under delegated authority was £0.2M, 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. This debt type also includes amounts relating to billing undertaken on behalf of the Business Improvement Districts and Lothian Pension Fund.

The amount of miscellaneous debt written off in 2018/19 has reduced from 2.02% to 0.39%, mainly due to the reduction of Statutory Repairs legacy cases (£1.2M in 2017/18 and £6K in 2018/19). Additionally, a process review involving service departments has enabled a reduction of debt written off under "recovery exhausted" or "whereabouts unknown".

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	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 as per Council Finance Rules
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

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	Agreed at Panel Meeting	company Dissolved/in liquidation/sequestration/bankruptcy/trust deed	Deceased	Inhibition registered	Recovery Exhausted	Service Manager Request	whereabouts unknown	Write off recoveries	Net Amount Written Off
Accommodation Charges			£ 34,731.94		£ 725.05			-£ 1,562.07	£ 33,894.92
Care at Home / Home Care			£ 4,653.55		£ 5,631.20	£ 750.75	£ 1,635.65	-£ 7.50	£ 12,663.65
Children and Families services		£ 1,049.22			£ 9,865.50		£ 132.00	-£ 1,514.34	£ 9,532.38
Court Fees			£ 93.53				£ 328.56		£ 422.09
Non-Council			£ 1,053.70				£ 127.69		£ 1,181.39
Other Services		£ 12,470.08	£ 2,995.24	£ 707.83	£ 13,925.32	£ 254.00	£ 242.67	-£ 8,362.97	£ 22,232.17
Overpaid Housing Benefit		£ 9,279.65	£ 2,417.61		£ 22,876.03		£ 1,352.77	-£ 2,012.86	£ 33,913.20
Rents (commercial property)		£ 219,342.69		£ 321.45	£ 9,095.61			-£ 500.40	£ 228,259.35
Repairs		£ 46.49			£ 26,751.00	£ 566.13		-£ 123.30	£ 27,240.32
Social Work Services			£ 683.48		£ 138.70		£ 63.04	-£ 20.00	£ 865.22
Statutory Repairs	£ 6,000.00	£ 3,621.07	£ 347.94	£ 7,086.90	£ 4,641.24			-£ 8,951.02	£ 12,746.13
Supporting People Charges		£ 436.72	£ 9,950.06		£ 6,677.25		£ 279.76	-£ 110.12	£ 17,233.67
Theatres and Halls		£ 2,768.15			£ 81.00				£ 2,849.15
Trade Waste		£ 1,530.32			£ 6,054.47		£ 69.16		£ 7,653.95
Net Amount Written Off	£ 6,000.00	£ 250,544.39	£ 56,927.05	£ 8,116.18	£ 106,462.37	£ 1,570.88	£ 4,231.30	-£ 23,164.58	£ 410,687.59

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 Adjs / Anomalies	Total Written Off
Council Tax	£39,254.03	£344,679.44	£4,876.47	£0.00	£1,079,341.33	£32,861.57		£19,163.95	£1,520,176.79
NDR	-£88,495.44	£1,699,840.42	£9,082.78	£7,595.94	£1,404,816.82	-£320,137.86		£49.83	£2,712,752.49
Housing Benefit Overpayments	£4,365.61	£134,220.97	£7,814.03	£5,150.97	£208,366.76	£7,149.31	£371,893.55	£0.00	£738,961.20

Notes

Council Tax

Total written off was £1,530,783.54 and £10,606.75 was written back on, leaving net of £1,520,176.79

NDR

Total written off was £3,121,385.79 and £408,633.30 was written back on, leaving net of £2,712,752.49

Housing Benefit Overpayments

These are mainly write-offs done as manual adjustments to enable Overpayments to be transferred between 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

System Adjustments/Anomalies

The Council Tax entry £19,163.95 relates to a known database payment error where there has been a property band reduction. A bill for 1996, is generated in error by the system and is written off as part of agreed procedure. The NDR entry £49.83 relates to system rounding which are written-off annually.

Appendix 4 - Parking Services debt written-off

Description	Total	Write Off Amount
PENALTY CHARGE NOTICES		
W01-FD	773	£43,020.00
W01-UP - Unable to process	4	£240.00
Write Off - EPC - unable to collect	594	£35,640.00
Write Off - Foreign Vehicle	1101	£63,420.00
Write Off - No Trace at DVLA	1981	£119,100.00
Write Off - SO - Gone Away	3410	£307,398.14
Write Off - SO - No Money No Assets	1770	£158,642.91
Write Off - Time Expired	3	£270.00
Write Off - Unable to Trace	56	£3,630.00
Write Off - Vehicle Drive Away	1	£30.00
Write Off Bus Lane - Foreign Driver	6	£240.00
Write Off Bus Lane - No Trace At DVLA	1	£90.00
Write Off Bus Lane - Payment Made on Time	1	£30.00
Write Off Bus Lane - SEL/LIQ/REC	6	£540.00
Write Off Bus Lane - Small Balance Write Off	1	£10.00
Write Off Company liquidated	17	£1,140.00
Write Off Deceased	18	£1,007.89
Write Off Diplomatic vehicle	1	£30.00
Write Off Discount for postal payments	2	£60.00
Write Off EPC Uncollectable	777	£46,620.00
Write Off Foreign driver	343	£17,970.00
Write Off No pindable effects	12	£1,039.10
Write Off No trace at DVLA	85	£5,460.00
Write Off Overseas Hirer	49	£3,300.00
Write Off Paid at car pound	3	£2,250.00
Write Off Payment made on time	37	£1,170.00
Write Off SEL/LIQ/REC	10	£768.05
Write Off Small balance write off	11	£450.00
Write Off SO - All Actions Failed	32	£2,657.90
Write Off SO Outwit jurisdiction	1	£90.00
Write Off SO Unable to trace	62	£5,329.60
Write Off Storage Fees	10	£890.00
Write Off Unable to process	11	£870.00
Write Off Unable to trace Keeper/Owner	19	£1,410.00
Write Off Vehicle disposed of	1	£150.00
Write Off Vehicle Driven Away	1	£60.00
Write Off Vehicle released form pound	1	£150.00
Write Off WOFF Foreign Vehicle	197	£11,730.00
Total Written Off 2018/19	11408	£836,903.59
BUS LANE CHARGES		
W01-FD	27	£1,560.00
W01-UP - Unable to process	2	£120.00
Write Off - Foreign Vehicle	33	£60.00
Write Off - No Trace at DVLA	6	£480.00
Write Off - SO - Gone Away	846	£75,920.10
Write Off - SO - No Money No Assets	429	£38,369.40
Write Off - Unable to Trace	35	£2,070.00
Write Off Bus Lane - Discount for Postal Payments	1	£60.00
Write Off Bus Lane - Foreign Driver	7	£450.00
Write Off Bus Lane - Foreign Vehicle	1	£60.00
Write Off Bus Lane - No Trace At DVLA	3	£210.00
Write Off Bus Lane - Overseas Hirer	2	£180.00
Write Off Bus Lane - Payment Made on Time	3	£150.00
Write Off Bus Lane - SEL/LIQ/REC	2	£180.00

Write Off Bus Lane - Unable to Process	11	£600.00
Write Off Bus Lane - Unable to Trace Keeper/Owner	7	£510.00
Write Off Discount for postal payments	1	£30.00
Write Off Foreign driver	4	£240.00
Write Off No trace at DVLA	2	£120.00
Write Off Overseas Hirer	1	£60.00
Write Off Payment made on time	1	£30.00
Write Off Small balance write off	1	£30.00
Write Off SO - All Actions Failed	2	£180.00
Write Off SO Unable to trace	5	£330.00
Write Off Unable to process	3	£210.00
Write Off Unable to trace Keeper/Owner	4	£210.00
Total Written Off 2018/19	1439	£122,419.50
Combined Total	12847	£959,323.09