

# Finance and Resources Committee

10.00am, Thursday - 4 March 2021

## Annual Report – Debt Write-off

Executive/routine Wards Council Commitments	Executive City-wide
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### 1. Recommendations

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- 1.1 It is recommended that Committee notes that:
  - 1.1.1 the sums due to the Council that have been written off during 2019/20 and the low value (0.70%) this represents compared to the overall level of income collected; and,
  - 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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## Annual Debt Write-off

### 2. Executive Summary

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- 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. This report provides Members with a summary of income streams deemed uncollectable and written off during 2019/20.
- 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

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- 3.1 The Council's Corporate Debt Policy approved on 3 September 2013 and reviewed and updated by the Policy and Sustainability Committee on 10 November 2020, requires an annual summary of in-year write-offs to be reported for scrutiny by 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. 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 write off decision, 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 2019/20 includes amounts from 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 when comparing 2019/20 to 2018/19. This is consistent with the respective collection trends over recent years.
- 4.6 Appendix 2 provides an overview of typical considerations leading to debt being written off. An analysis of the reasons for miscellaneous/sundry, Council Tax and Non-Domestic Rates debt write offs is detailed in Appendix 3.
- 4.7 Appendix 4 provides details of parking debt to be written-off for 2019/20. The write-off value for Parking/Bus Lane Charges is higher than in 2018/19. The increase can be partially attributed to the end of the existing Euro Parking Collection contract to recoup funds from foreign drivers. This contract is subject to procurement and is now able to progress following Brexit. Additionally, there has been a proactive exercise carried out by Sheriff Officers to cleanse redundant cases, this activity was last undertaken in 2016/17.

## **5. Next Steps**

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- 5.1 Following approval, standard accountancy process will be followed 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 overall value of income collected and, Housing Benefit paid out and the percentage of debt written off, at 0.70%, is low compared with the sums involved.
- 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, 48% 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**

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

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

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- 8.1 [Assurance Statement – Customer, Corporate Debt Policy, Policy and Sustainability Committee, Tuesday 10 November 2020](#)
- 8.2 [Miscellaneous Debts – Write Off, Finance and Resources Committee, Thursday 29 October 2020 \(B Agenda Item\)](#)
- 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**

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- 9.1 Appendix 1 - Summary of written-off debt
- 9.2 Appendix 2 - Reasons for recommending write-off of debt
- 9.3 Appendix 3 - Analysis of Sundry Debt Written-off
- 9.4 Appendix 4 - Analysis of Council Tax, Non-Domestic Rates and Housing Benefit Overpayments Written-off
- 9.5 Appendix 5 - 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 2018/19 % of Overall Collected/Paid
Miscellaneous	£107,546,800	£170,527*	0.16%	0.39% (0.4k)
Parking	£7,273,873	£1,616,675	22.23%	16.1% ((1M)
Council Tax	£373,489,379	£1,870,205	0.50%	0.42% (1.5M)
Non-Domestic Rates	£373,064,903	£3,174,813	0.85%	0.69% (2.7M)
Housing Benefit Overpayment	£175,318,624	£428,783	0.24%	0.39% (0.7M)
<b>Total</b>	<b>£1,036,693,578</b>	<b>£7,261,003</b>	<b>0.70%</b>	<b>0.60%</b>

\*£118k written off under delegated authority, 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 2019/20 has reduced from 0.39% to 0.16%. This can mainly be attributed to ongoing process reviews involving service departments to enable 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)

<b>1</b>	<b>Collection Agent Report</b>	No available funds or assets to attach
<b>2</b>	<b>Inhibition Registered</b>	Debtor prevented from free disposal of assets, full recovery probable on asset realisation
<b>3</b>	<b>Charging Order</b>	Deferred payment of statutory repairs or residential care fees as charges recorded on debtor's property
<b>4</b>	<b>Unemployed</b>	No Attachable Assets, uneconomic to proceed
<b>5</b>	<b>Legal Services advice</b>	Debt unenforceable in Sheriff Court
<b>6</b>	<b>Legal Services advice</b>	Debt prescribed/time barred to pursue
<b>7</b>	<b>Property repossessed</b>	Shortfall in funds
<b>8</b>	<b>Debt Unenforceable</b>	Statutory Notice not served on Property/Owner
<b>9</b>	<b>Irrevocable Mandate Held</b>	No free funds on sale
<b>10</b>	<b>Director of Health and Social Care advice</b>	Enforcement would cause undue financial hardship as per Council Finance Rules
<b>11</b>	<b>In prison</b>	Debts not enforceable
<b>12</b>	<b>Full and Final Settlement</b>	Balance irrecoverable
<b>13</b>	<b>Trust Deed</b>	Debtor has multiple debts and affairs now handled by Trustee; dividend expected
<b>14</b>	<b>Absconded/No Trace</b>	All reasonable attempts to find the debtor have failed.
<b>15</b>	<b>Deceased</b>	Insufficient or no funds in the deceased's estate to pay the amount outstanding.
<b>16</b>	<b>Uneconomical to pursue / pursue further</b>	When all recovery processes have been tried or considered or the cost of proceeding would be prohibitive.
<b>17</b>	<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							Grand Total
	Deceased	Lives Abroad	Write off recoveries	Inhibition Registered	Recovery Exhausted	Dissolved/liquidation/trust deed	Whereabouts unknown	
Accommodation Charges	£ 59,179.70							£ 59,179.70
Care at Home / Home Care	£ 19,812.68	£ 24.90	-£ 136.04		£ 67.50			£ 19,769.04
Children and Families services			-£ 267.78			£ 666.45		£ 398.67
Court Fees			-£ 32.97					-£ 32.97
Non-Council	£ 1,739.66		-£ 60.00					£ 1,679.66
Other Services	£ 407.68		-£ 2,086.73	£ 10,450.54		£ 839.35	£ 82.96	£ 9,693.80
Overpaid Housing Benefit	£ 1,130.88		-£ 5,625.28	£ 5,622.90		£ 851.39	£ 165.04	£ 2,144.93
Rents (commercial property)			-£ 178.84		£ 300.00	£ 26,382.82		£ 26,503.98
Repairs	£ 1,136.77		-£ 941.52	£ 6,782.77				£ 6,978.02
Shared Repairs	£ 127.09	£ 338.94	-£ 0.92	£ 31,253.12		£ 67.95	£ 198.82	£ 31,985.00
Social Work Services	£ 38.60		-£ 16.81					£ 21.79
Statutory Repairs			-£ 20,126.54	£ 27,081.67		£ 19.00		£ 6,974.13
Supporting People Charges	£ 5,049.91		-£ 44.68				£ 226.20	£ 5,231.43
<b>Grand Total</b>	<b>£ 88,622.97</b>	<b>£ 363.84</b>	<b>-£ 29,518.11</b>	<b>£ 81,191.00</b>	<b>£ 367.50</b>	<b>£ 28,826.96</b>	<b>£ 673.02</b>	<b>£ 170,527.18</b>

## Appendix 4 - 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 ons).

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
<b>Council Tax</b>	29,928	242,464	13,496	0	1,551,045	11,809	0	21,464	<b>1,870,205</b>
<b>NDR</b>	38,839	1,618,733	-18,775	0	1,448,645	87,696	0	-325	<b>3,174,813</b>
<b>Housing Benefit Overpayments</b>	0	89,909	15,143	742	71,432	6,931	244,626	0	<b>428,783</b>

### Notes

#### **Council Tax**

Total written off was £1880753 and £10548 was written back on, leaving net of £1870205

#### **NDR**

Total written off was £3265226 and £90413 was written back on, leaving net of £3174813

#### **Housing Benefit Overpayments**

Manual adjustments to enable overpayments to be transferred - Written off in one claim and manually created in another

#### **Service Manager Request**

Low value items where departmental discretion has been used, including complaints

#### **System Adjustments/Anomalies**

The Council Tax entry £21,464 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 -£325 relates to system rounding which is amended annually

## Appendix 5 - Parking Services debt written-off

Description	Total	Write Off Amount
<b>PENALTY CHARGE NOTICES</b>		
W01-FD	774	£ 44,160.00
Write Off - SO Activity Ceased	4	£ 360.00
Write Off - Covid 19 Protocol	1	£ 30.00
Write Off - Foreign Vehicle	3155	£ 178,969.00
Write Off - No Trace at DVLA	2572	£ 155,130.00
Write Off - Non Progression	14	£ 840.00
Write Off - SO - Gone Away	6555	£ 590,462.59
Write Off - SO - No Money No Assests	3660	£ 328,139.51
Write Off - Time Expired	55	£ 7,530.00
Write Off Company liquidated	20	£ 1,410.00
Write Off Deceased	14	£ 797.89
Write Off No pindable effects	20	£ 1,759.10
Write Off Overseas Hirer	119	£ 7,560.00
Write Off Paid at car pound	1	£ 90.00
Write Off Payment made on time	23	£ 780.00
Write Off SEL/LIQ/REC	20	£ 1,736.20
Write Off Small balance write off	9	£ 297.05
Write Off SO - All Actions Failed	55	£ 4,667.90
Write Off SO Outwit jurisdiction	1	£ 90.00
Write Off SO Unable to trace	71	£ 6,244.60
Write Off Storage Fees	1	£ 30.00
Write Off Unable to process	7	£ 480.00
Write Off Vehicle released form pound	1	£ 150.00
<b>Total Written Off 2019/20</b>	<b>17152</b>	<b>£ 1,331,713.84</b>
<b>BUS LANE CHARGES</b>		
Write Off - SO - Gone Away	2036	£ 183,020.10
Write Off SO - All Actions Failed	3	£ 210.00
Write Off - SO - No Money No Assests	1061	£ 94,842.76
Write Off SO Unable to trace	6	£ 540.00
Write Off Bus Lane - Small Balance Write Off	2	£ 108.10
Write Off Bus Lane - SEL/LIQ/REC	3	£ 270.00
Write Off - Time Expired	8	£ 720.00
Write Off - Non Progression	1	£ 90.00
W01-FD	22	£ 1,380.00
Write Off Bus Lane - No Trace At DVLA	10	£ 690.00
Write Off Bus Lane - Unable To Process	8	£ 420.00
Write Off Bus Lane - Foreign Driver	70	£ 1,710.00
Write Off Bus Lane - Payment Made On Time	5	£ 210.00
Write Off - EPC - unable to collect	4	£ 240.00
Write Off Bus Lane - Overseas Hirer	4	£ 240.00
Write off Bus Lane - Deceased	3	£ 210.00
Write Off Bus Lane - Diplomatic Vehicle	1	£ 60.00
<b>Total Written Off 2019/20</b>	<b>3247</b>	<b>£ 284,960.96</b>
<b>Combined Total</b>	<b>20399</b>	<b>£ 1,616,674.80</b>