

Finance and Resources Committee

10.00am, Tuesday – 20 June 2023

Annual Report – Debt Write-off

Executive/routine
Wards
Council Commitments

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 2021/22 and the low value (0.6%) this represents compared to the overall level of income.
 - 1.1.2 write off values for 2021/22 (0.6%) are the same as 2020/21 (0.6%) 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.

Dr Deborah Smart

Executive Director of Corporate Services

Contact:

Nicola Harvey, Service Director, Customer and Digital Services,
Customer and Digital Services Division, Corporate Services Directorate

E-mail: Nicola.harvey@edinburgh.gov.uk | Tel: 0131 469 5016

Neil Jamieson, Head of Customer Services

E-mail: neil.jamieson@edinburgh.gov.uk | Tel: 0131 469 6150

Annual Debt Write-off

2. Executive Summary

- 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 2021/22.
- 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 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

- 3.1 The Council's Corporate Debt Policy, approved on 3 September 2013 and updated as part of the annual policy assurance process, requires an annual summary of in-year write-offs to be reported to 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.
- 4.2 The Council adopted a Corporate Debt Policy in September 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 directly relate to the amounts billed during the year.
- 4.5 The summary in Appendix 1 details those debts written off in accordance with the Corporate Debt Policy and the Council's agreed Finance Rules. The impact of Covid19 on households and the wider economy still feature within this report, with reduced levels of Council Tax write off, predominately due to reprofiled debts. Similarly, Non-Domestic Rates write-off has reduced compared to 2020/21. The level of miscellaneous debt written off in 2020/21 has increased to 2.17%. This is attributed to the closure of Property Conservation, noting that Committee had previously agreed to write off the associated debt, in line with relevant accounting practices.
- 4.6 An analysis of the reasons for miscellaneous/sundry, Council Tax and Non-Domestic Rates debt being written off is detailed in Appendix 2.
- 4.7 Appendix 3 provides an overview of factors leading to a debt being written off.
- 4.8 Appendix 4 provides details of 2021/22 parking debt write-offs.

5. Next Steps

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

6. Financial impact

- 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 0.6% of debt written off.
- 6.2 Parking and traffic enforcement services continue to have higher write-offs than other services. 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 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. The Council also continues 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 the wider community arising from this report.

8. Background reading/external references

- 8.1 [Assurance Statement – Customer, Corporate Debt Policy, Policy and Sustainability Committee, Tuesday 1 November 2022](#)
- 8.2 [Operational Governance Framework – Review of Scheme of Delegation](#), City of Edinburgh Council, 12 December 2013
- 8.3 Compliance and Governance: [Corporate Debt Policy](#), Corporate Policy and Strategy Committee, Tuesday, 3 September 2013

9. Appendices

- 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 2020/2021 % of Overall Collected/Paid
*Miscellaneous	£118,933,402	£2,585,534	2.17%	0.89% (0.8M)
Parking	£6,263,599	£1,193,751	19.06%	26.46% (1M)
Council Tax	£296,029,078	£178,434	0.06%	0.25% (0.9M)
Non-Domestic Rates	£220,897,896	£34,145	0.02%	0.88% (1.6M)
Housing Benefit Overpayment	£147,816,004	£502,916	0.34%	0.21% (0.3M)
Total	£789,939,979	£4,494,780	0.57%	0.58%

*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. This debt type also includes amounts relating to billing undertaken on behalf of third parties, including Lothian Pension Fund.

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

Debt Type	Deceased	Inhibition Registered	Lives Abroad	PC approved by committee May21	Recovery Exhausted	Service Manager Request	Whereabouts Unknown	Write off recoveries	Company Dissolved/Liquidation/Sequestration/Trust Deed	Grand Total
Accommodation Charges	£ 77,341.83							-£ 3,400.21		£ 73,941.62
Care at Home / Home Care	£ 4,308.08	£ 53,492.41			£ 2,505.03	£ 1,309.57	£ 265.60	-£ 399.83		£ 61,480.86
Children and Families services		£ 2,699.23			£ 1,119.50				£ 4,789.73	£ 8,608.46
ESRS	£ 226.24	£ 8,091.08	£ 6.81		£ 665.61		£ 25.81	-£ 1,626.71		£ 7,388.84
Non-Council									£ 1,422.92	£ 1,422.92
Other Services		£ 17,674.42			£ 2,298.86	£ 1,190.04	£ 1,023.77	-£ 1,095.92	£ 3,946.27	£ 25,037.44
Overpaid Housing Benefit	£ 471.52				£ 204.27		£ 582.16	-£ 4,003.62	£ 4,551.87	£ 1,806.20
Rents (commercial property)					£ 3,500.95			-£ 1,316.75	£ 60,976.78	£ 63,160.98
Repairs		£ 1,136.77						-£ 687.82		£ 448.95
Social Work Services					£ 1,007.60			-£ 46.44		£ 961.16
Statutory Repairs		£ 492.31		£ 2,315,297.57			£ 760.19	-£ 10,667.90		£ 2,305,882.17
Supporting People Charges	£ 14,506.41				£ 479.78		£ 888.58	-£ 39.48		£ 15,835.29
Theatres and Halls									£ 19,559.19	£ 19,559.19
Grand Total	£ 96,854.08	£ 83,586.22	£ 6.81	£ 2,315,297.57	£ 11,781.60	£ 2,499.61	£ 3,546.11	-£ 23,284.68	£ 95,246.76	£ 2,585,534.08

Appendix 2 - 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 (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
Council Tax	32,468	7,431	843	0	122,863	8	0	14,821	178,434
NDR	0	42,756	-8,632	0	0	0	0	21	34,145
Housing Benefit Overpayments	0	87,365	158,328	13,567	59,024	20,913	163,718	0	502,916

Notes

Transfers between Claims/Properties

Predominately write offs completed as manual adjustments to enable overpayments to be transferred between claims. Written off in one claim and manually created in another.

Service Manager Request

Lower value items where departmental discretion has been used due to nature of case.

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

Write Off Description	Records	Amount
Penalty Charge Notices		
Write Off - Foreign Vehicle/Driver	829	£43,950.00
Write Off - Recovery Activity Exhausted (Gone away, deceased, no funds etc)	8762	£782,196.34
Write Off - No Trace at DVLA	2105	£127,650.00
Total Penalty Charge Notices	11696	£953,796.34
Bus Lane Notices		
Write Off Bus Lane - Foreign Vehicle/Driver	555	£43,504.94
Write Off - Recovery Action Exhausted (Gone away, deceased, no funds etc)	2154	£193,840.00
Write Off Bus Lane - No Trace At DVLA	46	£2,610.00
Total Bus Lane Notices	2755	£239,954.94
Grand Total	14451	£1,193,751.28