

Name of meeting: Corporate Governance and Audit Committee

Date: 4 August 2017

Title of report: Annual report on bad debt write-offs, 2016-17

Purpose of report

Financial Procedure Rules require the Service Director, Finance, IT & Transactional Services, to prepare an annual consolidated report on all debts written off annually, for consideration by the Corporate Governance and Audit Committee. This report details the debts written off in the financial year 2016-17.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	No
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	No
The Decision - Is it eligible for "call in" by Scrutiny?	"Not applicable"
Date signed off by Strategic Director & name	
Is it also signed off by the Service Director, Finance, IT & Transactional Services?	Yes 19 July 2017
Is it also signed off by the Service Director - Governance and Commissioning Support ?	Yes 24 July 2017
Cabinet member portfolio	Cllr Graham Turner Cllr Musarrat Khan

Electoral wards affected: None

Ward councillors consulted: None

Public or private: Public

1. Summary

- 1.1 The Chief Financial Officer has to prepare an annual consolidated report of all debts written off for consideration by the Corporate Governance and Audit Committee. This report includes summary detail on the Council's approach to debt recovery and a summary schedule of debts written-off over the past 12 months, at Appendix A.

- 1.2 Overall, debts written-off in 2016-17 totalled £5.8m; as a percentage of debt raised in the year, is 1.4%. The previous year, £6.8 million was written off; equivalent to 1.7% of debt raised. In percentage terms, it is pleasing to note an improving trend. The equivalent write-offs in 2014-15 were £8.9m and the percentage was 2.2% of debt raised

2. Information required to take a decision

- 2.1 Financial Procedure Rules authorise Directors to write off all individual bad debts subject to the approval of the Chief Financial Officer. A report on the details of all debts written off under delegated authority must be prepared and formally noted by the Director in consultation with the Cabinet Member. The Chief Financial Officer has to prepare an annual consolidated report of all debts written off for consideration by the Corporate Governance and Audit Committee.
- 2.2 Appendix A contains details of debts written off in 2016-17. The first table compares amounts written off in 2016-17 to those written off in 2015-16. The second table shows a detailed analysis of the reasons for write off in 2016-17. In both tables, the amount of debt raised in the financial year is shown as a guide - the amount written off in the year is not directly related to this as it is likely to include debt outstanding from previous years.
- 2.3 The tables show that £5.8 million of debt was written off in 2016-17, which as a percentage of debt raised in the year is 1.4%. The previous year, £6.9 million was written off (equivalent to 1.7% of debt raised in that year). The equivalent write-offs in 2014-15 were £8.9m and 2.2%.
- 2.4 The figures for council tax and business rates demonstrate how important it is for everyone to pay their share of council tax and business rates to help fund essential council services.
- 2.5 Kirklees is the seventh largest Council in the country, so for Yorkshire and Humber Area we will always be towards the top of any monetary list. The Council has 183,675 properties liable for council tax (£178m annual gross debit in 2016/17) and 15,367 properties for business rates (£106m gross debit in 2016/17). Arrears overall are falling and collection is rising year on year. As an example, the arrears for Council Tax have fallen by 25.8% since 2014/15.
- 2.6 The Council aims to maximise its collection and recovery of all council tax and business rates debts. The recovery process ensures that all accounts in arrears are chased through reminders, summonses, obtaining liability orders through Magistrates Court, if needed, that allow the Council to recover debts through using the bailiffs, attachment to earnings/benefits, issuing committal proceedings, instigating insolvency proceedings, or putting charging orders on the properties.
- 2.7 The Council will use all the powers available to recover any amounts outstanding and this ensures all debts are pursued to maximise recovery.
- 2.8 The Council has a good record of taking strong recovery action to ensure that everyone who should pay, does so. It only writes off arrears where it

appears it would not be cost effective to collect or the debtor has absconded.

- 2.9 In 2016-17 officers have continued to undertake exercises to review the previous years' debts outstanding and be realistic on what is collectable and what debts are not. Where accounts were identified that have had previous recovery action (some over a number of years) and no further action is viable or cost effective, the debts have written off as unable to collect.
- 2.10 This will ensure that collectable debts outstanding will be pursued through rigorous recovery action. Resources will be deployed to recover unpaid council tax or business rates quicker and more effectively once old debts that have been through the recovery process have been removed. Tighter processes and procedures have been put in place to maximise recovery of unpaid debts earlier in the process. The income collection rates included at Appendix A for council tax at 96.0% and business rates at 96.5% reflect in-year performance against income due in the year. As a result of the recovery actions set out above, it is anticipated that over the fullness of time, the service will eventually recover upto 98.25% council tax and 98.5% business rates due in the year.
- 2.11 Payment by direct debit is encouraged and the Council currently has over 111,500 direct debits on council tax (70% of charge-payers). In the last 12 months this has increased by over 4,800 new accounts set up for direct debit payments. The more direct debit payers the Council has, the better the recovery rate, allowing staff to concentrate on more difficult collection and recovery cases.
- 2.12 The write-offs for Adults relates to collection and recovery of adult social care charges. A key aim of the adult social care charging policy is to ensure that where an adult is charged for care and support (including making a contribution to a personal budget), that they are not charged more than is reasonably practicable for them to afford and pay. Collection and recovery action is always taken using the powers available; however, due to the characteristics of the client group not all charges will be recovered.
- 2.13 The write offs for Customer and Exchequer Services relates to Housing Benefit overpayment recovery. The write off figure is relatively high because the households concerned are by definition the least able to pay. Recovery action is always pursued using all the recovery powers available; however, ability to pay is also a consideration. These debts will also become more difficult to collect in the future as housing benefit administration is transferred to the Department of Works and Pensions as the housing credit element of Universal Credit.
- 2.14 Expenditure and income relating to the provision of landlord services is ring-fenced or 'self-financed' through the Council's Housing Revenue Account (HRA). The Council is the landlord for about 22,800 Council properties, and the day to day management of these, including income collection and debt recovery, is undertaken on the Council's behalf by Kirklees Neighbourhood Housing (KNH), an arm's length management organisation.

- 2.15 KNH manages the Council tenancies on the Council's behalf, and in accordance with the Council tenancy agreement, any costs incurred by the landlord, for which the tenant is deemed directly liable, the landlord will seek to recover, with the ultimate sanction of tenancy termination in extreme cases. On average, this affects only a very small proportion of tenants each year. The HRA write-off figure of £1.018m includes approximately £0.3m for former tenant liable costs, also referred to as rechargeable repairs, and for which there is an existing HRA bad debt provision set aside to cover.
- 2.16 As with council tax and business rates, debt recovery processes are similarly extensive, including the re-instatement of written-off arrears where an ex-tenant applies for or gets re-housed. The Council will use all the powers available to recover any amounts outstanding and this ensures all debts are pursued to maximise recovery. Payment by direct debit is encouraged, and the Council currently has over 9,165 tenancies on direct debit equivalent to 40% of total tenancies (an increase of 305 direct debits over the previous 12 months).
- 2.17 Whilst these debts have been formally written off in the accounts for 2016-17, this does not mean that the Council will not pursue this debt if new information comes to light and the prospect for recovery changes.

3. Implications for the Council

3.1 This report provides summarised information on debts written-off over the previous 12 months. The overall income due in the year (Debit) to which the report's financial performance relates, supports the delivery of the following Council objectives and Priorities within available resources:

- i) Early Intervention and Prevention (EIP)
- ii) Economic Resilience (ER)
- iii) Improving Outcomes for Children
- iv) Reducing demand of services

4. Consultees and their opinions

None

5. Next steps

Corporate Governance and Audit Committee will be asked to note the summarised information set out in this report.

6. Officer recommendations and reasons

Corporate Governance and Audit Committee are recommended to note the information in the Appendix on bad debt write offs for 2016-17.

7. Cabinet portfolio holder recommendation

To note the contents of this report

8. Contact officer

Steve Bird, Head of Revenues & Benefits, 01484 221000

9. Background Papers and History of Decisions

Accounts & Audit regulations 2015
Local Audit & Accountability Act 2014

10. Service Director responsible

Debbie Hogg 01484 221000

APPENDIX A

Debt write offs 2016/17

Debit for year 2015/16	write offs during Apr15 - Mar16		Directorate	Debit for year 2016/17	write offs during Apr16 - Mar17	
£	£	%		£	£	%
5,365,562	10,368	0.20%	<u>Children & Young People</u> Children & Young Peoples Service	4,205,811	8,888	0.20%
38,445,074	27,484	0.10%	<u>Commissioning, Public Health & Adults</u> Adults	42,571,233	198,249	0.50%
129,762	0	0.00%	Public Health	127,493	0	0.00%
11,997,499	30,125	0.30%	<u>Place</u> Streetscene & Housing	11,120,417	89,102	0.80%
21,998,953	23,209	0.10%	Investment & Regeneration	*7,256,364	26,678	0.40%
706,869	0	0.00%	Building Services	854,309	(354)	0.00%
13,138,139	113,749	0.90%	Physical Resources & Procurement	11,335,565	172,415	1.50%
148,164	0	0.00%	<u>Resources</u> Legal & Governance	137,388	0	0.00%
277,954	0	0.00%	Elections	25,614	0	0.00%
4,316,639	31,020	0.70%	Finance, Risk, Performance & IT	5,047,513	47,464	0.90%
9,398,560	269,737	2.90%	Customer & Exchequer Services	5,824,158	352,357	6.00%
890,109	0	0.00%	<u>Communities, Transformation & Change</u> Support Services	827,802	2,865	0.30%
2,475,193	0	0.00%	Communities & Leisure	1,506,857	820	0.10%
109,288,477	505,692	0.50%	General Fund Services	90,840,524	898,484	1.00%
30,453,000	1,652,526	5.40%	HRA (excluding benefits element)	31,310,764	1,018,088	3.30%
168,785,917	3,055,032	1.80%	Council Tax	177,597,043	2,549,638	1.40%
102,346,089	1,630,492	1.60%	Business Rates	106,406,538	1,356,243	1.30%
410,873,483	6,843,742	1.67%	Grand Total	406,154,869	5,822,453	1.40%

Income Collection Rates

	2015/16	2016-17
Council Tax	95.6%	96.0%
NNDR	96.9%	96.5%
HRA (Rents)	97.3%	97.4%

APPENDIX A (CONTINUED)

Directorates	*Debit for year 2016/17	write offs Apr16 - Mar17	%	Compassionate Grounds	Deceased	Liquidation/ Bankruptcy	No Goods/ Unemployed	Not Viable to Pursue	Unable to Trace	Statute Barred	Misc
<u>Children & Young People</u>											
Children & Young Peoples Service	4,205,811	8,888	0.2%			3,466		5,534			-112
<u>Commissioning, Public Health & Adults</u>											
Adults	42,571,233	198,249	0.5%	23,775	135,788	3,246		27,613	698	7,008	121
Public Health	127,493	0	0.0%								
<u>Place</u>											
Streetscene & Housing	11,120,417	89,102	0.8%			72,650		15,150	2,995	-1,747	54
Investment & Regeneration	7,256,364	26,678	0.4%		878	8,354		7,144	1,322	8,835	146
Building Services	854,309	-354	0.0%					21	-375		
Physical Resources & Procurement	11,335,565	172,415	1.5%		673	113,059		54,845	505	4,013	-680
<u>Resources</u>											
Legal & Governance	137,388	0	0.0%								
Elections	25,614	0	0.0%								
Finance, Risk, Performance & IT	5,047,513	47,464	0.9%			47	18,405	24,005	4,697		310
Customer & Exchequer Services	5,824,158	352,357	6.0%	38,744	73,043	63,975		89,385	16,731		70,479
<u>Communities, Transformation & Change</u>											
Support Services	827,802	2,865	0.3%				32	1,278		1,556	
Communities & Leisure	1,506,857	820	0.1%					820			
General Fund Services	90,840,522	898,484	1.0%	62,519	210,382	264,796	18,437	225,795	26,573	19,665	70,318
HRA (excl those on benefits)	31,310,764	1,018,088	3.3%		59,159	9,606		841,673	48,504	21,746	37,400
Council Tax	177,597,043	2,549,638	1.4%	-29,747	-12,819	242,709		1,683,512	665,983		
NNDR	106,406,538	1,356,243	1.3%		-3,733	546,941		498,175	314,860		
Grand Total	406,154,866	5,822,453	1.4%	32,772	252,989	1,064,052	18,437	3,249,155	1,055,920	41,410	107,717