

Name of meeting: Corporate Governance and Audit Committee

Date: 27 July 2018

Title of report: Annual report on bad debt write-offs, 2017-18

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 2017-18.

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?	Eamonn Croston
Is it also signed off by the Service Director - Governance and Commissioning Support ?	Julie Muscroft
Cabinet member portfolio	Cllr Graham Turner

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 The Council has a good record of taking strong recovery action to make sure that everyone who should pay, does. The write off figures within this report show how important it is for everyone to pay their share of the charges to help fund essential council services and wherever possible payment by direct debit is encouraged and promoted.
- 1.3 Overall, debts written-off in 2017-18 totalled £5.5m; as a percentage of debt raised in the year, is 1.3%. The previous year 2016-17, £5.8m was written off; equivalent to 1.4% of debt raised. In percentage terms, it is pleasing to note an improving trend. The equivalent write-offs in 2015-16 were £6.8m and the percentage was 1.67% 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 2017-18. The first table compares amounts written off in 2017-18 to those written off in 2016-17. The second table shows a detailed analysis of the reasons for write off in 2017-18. 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 debts outstanding from previous years.
- 2.3 The figures for write off of Adult Social Care debt, Housing Benefit Overpayments recovery, Housing Revenue Account (HRA), Council Tax and Business Rates make up the top 5 areas for write off and demonstrate how important it is for everyone to pay their share of the charges to help fund essential Council services.
- 2.4 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 following a financial assessment), that they are not charged more than they can reasonably afford and pay. Rigorous collection and recovery action is always taken using the legal powers available; however, due to the characteristics of the client group not all charges are recoverable. During 2017/18 there has been an increase in recovery focus on Adult Social Care debt, this has resulted in both a higher amount being collected and being written off, examples of write off's include, not viable to pursue, and where the client has deceased etc.
- 2.5 The write offs for Finance, IT & Transactional Services relate mainly to Housing Benefit Overpayment recovery. The write off percentage 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 (DWP) as the housing credit element of Universal Credit.

- 2.6 Kirklees Neighbourhood Housing (KNH) manages the council house 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 (eviction) in extreme cases. On average, this affects only a very small proportion of tenants each year. The HRA write-off figure of £1.058m includes approximately £0.24m 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. The Council currently has over 9,300 tenancies on direct debit equivalent to 41% of total tenancies (an increase of 135 direct debits over the previous 12 months).
- 2.7 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 22,104 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.
- 2.8 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 issuing reminders, summonses, obtaining liability orders through the Magistrates Court, if needed, which allow the Council to recover debts through using the Enforcement Agents (bailiffs), attachments to earnings or benefits, instigating insolvency proceedings, putting charging orders on the properties, or issuing of committal to prison proceedings.
- 2.9 In 2017-18 officers have continued to undertake exercises to review the previous years' debts outstanding for both Council Tax and Business Rates and be realistic on what is collectable and what debts are not. Where accounts have been identified, with 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 all 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 for Council Tax 98.5% and Business Rates at 98.5% (as result of the recovery actions set out above), are the anticipated collection levels over the fullness of time, that the service will eventually recover for Council Tax charged and Business Rates due.
- 2.11 Payment by direct debit is encouraged and the Council currently has over 113,930 direct debits on Council Tax (approx. 70% of charge-payers). In the last 12 months this has increased by over 3,000 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 recovery cases.

2.12 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 186,265 properties liable for Council Tax (£189m annual gross debit in 2017-18) and 15,762 properties for Business Rates (£104m gross debit in 2017-18). Arrears overall are falling and collection is rising year on year. As an example, the arrears for Council Tax have fallen by 21% since 2014.

2.13 Whilst all of the debts highlighted in the report have been formally written off in the accounts for 2017-18, 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 2017-18.

7. Cabinet portfolio holder recommendation

To note the contents of this report

8. Contact officer

Steve Bird, Head of Welfare & Exchequer, 01484 221000
Mark Stanley, Senior Manager, Welfare & Exchequer

9. Background Papers and History of Decisions

Accounts & Audit regulations 2015
Local Audit & Accountability Act 2014

10. Service Director responsible

Eamonn Croston 01484 221000

APPENDIX A

Debt write offs 2017/18

Debit for year 2016/17	write offs during Apr16 - Mar17		Directorate	Debit for year 2017/18	write offs during Apr17 - Mar18	
£	£	%		£	£	%
39,532,007	198,250	0.50%	Adults Social Care	40,997,302	1,046,917	2.55%
3,639,443	8,887	0.24%	Learning & Early Support	4,258,863	5,494	0.13%
410,673	0	0.00%	Quality, Assurance, Standards & Safeguarding	269,870	0	0.00%
23,161,459	238,047	1.03%	Commercial Regulatory & Operational	28,912,203	33,183	0.11%
5,773,247	53,379	0.92%	Economy, Regeneration & Culture	5,202,951	26,396	0.51%
8,213,401	375,908	4.58%	Finance, IT & Transactional Services	8,399,375	362,147	4.31%
132,027	0	0.00%	Governance & Commissioning	33,421	0	0.00%
1,931,784	24,015	1.24%	Office of the Chief Executive	1,393,209	0	0.00%
103,566	0	0.00%	Policy, Intelligence & Public Health	3,215,921	0	0.00%
82,897,607	898,486	1.10%	General Fund Services	92,683,115	1,474,137	1.59%
31,310,764	1,018,087	3.30%	HRA (excl those on benefits)	32,738,195	1,058,682	3.23%
177,597,043	2,549,638	1.40%	Council Tax	189,297,000	2,052,866	1.08%
106,406,538	1,356,243	1.30%	Business Rates	104,360,000	923,484	0.88%
398,211,952	5,822,454	1.40%	Grand Total	419,078,310	5,509,169	1.31%

APPENDIX A (CONTINUED)

Directorates	*Debit for year 2017/18	write offs Apr17 - Mar18	%	Compassionate Grounds	Deceased	Liquidation/ Bankruptcy	No Goods/ Unemployed	Not Viable to Pursue	Unable to Trace	Statute Barred	Misc
Adults Social Care	40,997,302	1,046,917	2.6%	172,947	215,630			351,683	53,180	253,477	
Learning & Early Support	4,258,863	5,494	0.1%					5,739	- 245		
Quality, Assurance, Standards & Safeguarding	269,870	0	0.0%								
Commercial Regulatory & Operational	28,912,203	33,183	0.1%		1	10,476		21,826	113	895	- 128
Economy, Regeneration & Culture	5,202,951	26,396	0.5%			2,223	1,248	22,925			
Finance, IT & Transactional Services	8,399,375	362,147	4.3%	13,960	67,653	128,420		23,276	91,818		37,020
Governance & Commissioning	33,421	0	0.0%								
Office of the Chief Executive	1,393,209	0	0.0%								
Policy, Intelligence & Public Health	3,215,921	0	0.0%								
General Fund Services	92,683,115	1,474,137	1.6%	186,906	283,284	141,119	1,248	425,449	144,866	254,372	36,892
HRA (excl those on benefits)	32,738,195	1,058,682	3.2%		74,022	7,195		799,664	50,607	19,311	107,883
Council Tax	189,297,000	2,052,866	1.1%	-11,861	-26,039	293,645		1,278,759	518,362		
NNDR	104,360,000	923,484	0.9%	-	0	199,872		766,945	- 43,333		
Grand Total	419,078,310	5,509,169	1.3%	175,045	331,267	641,831	1,248	3,270,817	670,502	273,683	144,775