

Name of meeting: Corporate Governance and Audit Committee

Date: 5 July 2019

Title of report: Annual report on bad debt write-offs, 2018-19

Purpose of report

Financial Procedure Rules require the Service Director, Finance & 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 2018-19.

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 & 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 2018-19 totalled £5,99m; as a percentage of debt raised in the year, is 1.24%. The previous year 2017-18, £5.5m was written off; equivalent to 1.31% of debt raised. In percentage terms, it is pleasing to note an improving trend. The equivalent write-offs in 2016-17 were £5.8m and the percentage was 1.4% 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 2018-19. The first table compares amounts written off in 2018-19 to those written off in 2017-18. The second table shows a detailed analysis of the reasons for write off in 2018-19. 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. For information Appendix B is a comparison of 2017 -18 write offs with the top 10 Metropolitan LA's (2018-19 data not available yet).
- 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 2018/19 there has been an continued 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 & 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, old non collectable debts are targeted for write off as not viable to pursue. 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 £0.78m includes approximately £0.72m 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 10,100 tenancies on direct debit equivalent to 46% of total tenancies (an increase of 800 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 22,034 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 committal to prison proceedings.
- 2.9 In 2018-19 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 to pursue or cost effective, the debts have been 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 98.55% 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 116,789 charge payers paying by direct debit on Council Tax (approx. 71% of paying charge-payers). In the last 12 months this has increased by 2,859 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 outstanding.
- 2.12 Kirklees is the fifth largest Council in the country, so for the Yorkshire and Humber Area we will always be towards the top of any monetary list. The Council has 187,894 properties liable for Council Tax (£203m annual gross debit in 2018-19) and 16,003 properties for Business Rates (£107m gross debit in 2018-19). Whilst the Council Tax arrears increased in 2018-19 to £17m, the percentage compared to the overall debit (in year and arrears) was still approx. 0.08% due to the large increase in the annual

debit raised in 2018/19. Also overall collection of the arrears is rising year on year. As an example, the overall arrears for Council Tax have fallen by 9% since 2014.

2.13 Whilst all of the debts highlighted in the report have been formally written off in the accounts for 2018-19, 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 2018-19.

7. Cabinet portfolio holder recommendation

To note the contents of this report

8. Contact officer

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

9. Background Papers and History of Decisions

Accounts & Audit regulations 2015, Local Audit & Accountability Act 2014

10. Service Director responsible

Eamonn Croston. Service Director, Finance and transactional Services
01484 221000

APPENDIX A

Debit for year 2017/18	write offs during Apr17 - Mar18		Directorate	Debit for year 2018/19	write offs during Apr18 - Mar19	
£	£	%		£	£	%
40,997,302	1,046,917	2.55%	Adults Social Care	43,225,262	1,409,698	3.26%
4,258,863	5,494	0.13%	Learning & Early Support	3,964,256	7,546	0.19%
269870	0	0.00%	Quality, Assurance, Standards & Safeguarding (now CHYPS – family support & protection)	116852	0	0.00%
28,912,203	33,183	0.11%	Commercial Regulatory & Operational	27,993,313	157,589	0.56%
5,202,951	26,396	0.51%	Economy, Regeneration & Culture	5,228,808	32,037	0.61%
8,399,375	362,147	4.31%	Finance, IT & Transactional Services	6,597,815	811,250	12.30%
33,421	0	0.00%	Governance & Commissioning	1,220,547	3,075	0.25%
1,393,209	0	0.00%	Office of the Chief Executive	562,943	0	0.00%
3,215,921	0	0.00%	Policy, Intelligence & Public Health	4,351,390	0	0.00%
			Integration, Access & Community Plus (new entry)	1,056,430	0	0.00%
92,683,115	1,474,137	1.59%	General Fund Services	94,317,617	2,421,195	2.57%
79,656,854	1,058,682	1.33%	HRA (excl those on benefits)	79,590,304	784,112	0.99%
189,297,000	2,052,866	1.08%	Council Tax	202,996,959	1,882,304	0.93%
104,360,000	923,484	0.88%	Business Rates	106,828,725	910,652	0.85%
419,078,310	5,509,169	1.31%	Grand Total	483,733,605	5,998,263	1.24%

APPENDIX A (CONTINUED)

Directorates	*Debit for year 2018/19	write offs Apr18 - Mar19	%	Compassionate Grounds	Deceased	Liquidation/ Bankruptcy	No Goods/ Unemployed	Not Viable to Pursue	Unable to Trace	Statute Barred	Misc
Adults Social Care	43,225,262	1,409,698	3.26%	76,027	648,851	1,536	259	406,168	2,111	274,747	- 0
Learning & Early Support	3,964,256	7,546	0.19%					7,546			
CHYPS - Family Support & Protection	116,852		0.00%								
Commercial Regulatory & Operational	27,993,313	157,589	0.56%	53	2,794	29,957	70	102,001	10,028	12,431	257
Economy, Regeneration & Culture	5,228,808	32,037	0.61%		6,675	901	1,163	16,770	6,528		
Finance, IT & Transactional Services	6,597,815	811,250	12.30%	18,468	73,832	572,448		103,630	33,971	3,870	5,031
Governance & Commissioning	1,220,547	3,075	0.25%					3,075			
Integration, Access & Community Plus	1,056,430										
Office of the Chief Executive	562,943		0.00%								
Policy, Intelligence & Public Health	4,351,390		0.00%								
General Fund Services	94,317,617	2,421,195	2.57%	94,548	732,151	604,842	1,491	639,190	52,638	291,047	5,288
HRA (excl those on benefits)	79,590,304	784,112	0.99%		86,267	17,503		610,061	38,473	- 11,401	43,208
Council Tax	202,996,959	1,882,304	0.93%	5,853	39,576	354,323		1,403,217	79,335		
NNDR	106,828,725	910,652	0.85%		5,107	231,408		635,462	38,675		
Grand Total	483,733,605	5,998,263	1.24%	100,401	863,101	1,208,076	1,491	3,287,930	209,121	279,646	48,496

Council Tax

Local Authority	Net Debit	Write Off's –All year's during financial year	% of total debit for 2017/18
Birmingham	£362,218m	£11,548m	3.19%
Leeds	£335,835m	£1,669m	0.50%
Bradford	£205,486m	£6,471m	3.14%
Sheffield	£233,985m	£2,189m	0.93%
Kirklees	£189,297m	£2,053m	1.08%
Liverpool	£181,256m	£15,733m	8.68%
Manchester	£175,994m	£1,901m	1.08%
Stockport	£164,532m	£1,353m	0.82%
Wirral	£154,378m	£4,986m	3.23%
Wakefield	£150,261m	£749k	0.50%

Business Rates

Local Authority	Debit Raised	Write Off's –All year's during financial year	% of total debit for 2017/18
Leeds	£379,980m	£2,322m	0.61%
Birmingham	£205,031m	£4,325m	2.11%
Sheffield	£219,546m	£2,147m	0.98%
Liverpool	£205,031m	£4,325m	2.11%
Manchester	£175,994m	£1,901m	1.08%
Bradford	£140,753m	£2,882m	2.05%
Wakefield	£129,983m	£809k	0.62%
Kirklees	£108,401m	£923k	0.85%
Stockport	£92,965m	£1,162m	1.25%
Wirral	£72,459m	£1,193m	1.65%

