

Name of meeting: Corporate Governance and Audit Committee

Date: 24 September 2021

Title of report: Annual report on bad debt write-offs, 2020-21

Purpose of report

Financial Procedure Rules require the Service Director Finance, 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 2020-21.

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	Eamonn Croston – 14/09/2021
Is it also signed off by the Service Director – Legal, Governance and Commissioning	Julie Muscroft - 14/09/2021
Cabinet member portfolio	Cllr Paul Davies

Electoral wards affected: None

Ward councillors consulted: None

Public or private: Public

Has GDPR been considered: Yes, no personal data in the report.

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 in **Appendix A** and a summary schedule of debts written-off over the past 12 months, in **Appendix B**.

- 1.2 The Council has a good record of collecting income due, including a range of supportive measures to help bill payers who may be struggling to pay their bills, as part of a broader suite of income collection and recovery measures to ensure that everyone who should pay, does. The write off figures within this report underline 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. Last year was a challenging year financially due to the impact of COVID as the global impact started to bite economically through the local economy. This resulted in an increased number of customers having difficulties paying their bills. It is anticipated that there will be some element of suppressed bad debt (see 1.3 below) that will wash through into this and maybe next year.
- 1.3 Overall, debts written-off in 2020-21 totalled £2.99m; as a percentage of debt raised in the year, this is 0.63%. The previous year 2019-20, £5.74m was written off; equivalent to 1.16% of debt raised (the equivalent write offs in 2018-19 were 5.99% and the percentage was 1.24% of debt raised. In percentage terms, is less than 2019-20. However it should be noted that during the last 12 – 16 month the Government restricted enforcement action in most areas, so there is a high likelihood of suppressed bad debt, which may get reflected in future years write offs, alongside some continued economic volatility depending on the pace of global, national and local recovery from Covid.

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 Service Director - Finance must 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 2020-21. The first table compares amounts written off in 2020-21 to those written off in 2019-20. The second table in **Appendix B** shows a detailed analysis of the reasons for write off in 2020-21. 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 ongoing debts outstanding from previous years.
- 2.3 The figures for write offs of Adult Social Care debt, Housing Benefit Overpayments recovery, Grants and Housing, Housing Revenue Account (HRA), and Council Tax 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 2020-21 there has been a continued increase in the recovery focus on Adult Social Care debt with a dedicated team continuing to work on improvements in debt collection. The team are also

working closer with the more vulnerable customers and advice partners ensuring all the relevant help and advice is available to help customers who are struggling financially. This has resulted in higher collection of these debts and writing off uncollectable historic debts. Examples of write offs include, not viable to pursue, and where the client has deceased etc.

- 2.5 The write offs for Finance 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, and potentially impacted the most through the pandemic, old non collectable debts are targeted for write off and a high proportion of these are deemed not viable to pursue. Recovery action is always pursued using all the recovery powers available for example deductions from ongoing benefit entitlement or direct attachments on welfare benefits; 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 The council' housing stock is managed by the Income Management Team within its Homes & Neighbourhoods service area. In accordance with the Council Secure tenancy agreement, any charges for which the tenant is deemed directly liable, the landlord will seek to recover. In extreme cases where the rent due on a property is consistently not paid, and rent arrears continue to escalate, an application may be made for an order to take back possession of the property and evict a tenant from the premises. On average, this affects only a very small proportion of tenants each year. 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 HRA write-off figure includes former tenant liable costs, also referred to as rechargeable repairs and for which there is an existing HRA bad debt provision set aside to account for unrecoverable debt. The Council currently has over 11,414 tenancies on direct debit, equivalent to 51.8% based on 22,034 properties the Council is landlord for and the day to day management of these (including income collection and debt recovery).
- 2.7 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.
- 2.8 In 2020-21 under difficult circumstances and a period of no recovery being taken through the courts, 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. In 2020-21 the Business rates team had to prioritise working on making business support grant payments (£173m to date). Also indicated above the Magistrates court have also been closed for most of 20/21, as a result there are backlogs of work outstanding and a delay in taking recovery action against businesses for non-payment. Day to day activity has now resumed along with the first recovery courts on 29th July 21. It is expected as the team start to catch up with

outstanding workloads and take more recovery action write off in future years will rise (this year a lot of debt was covered by the extended retail relief awarded by Government). The economic recovery position is also very difficult to predict, with furlough ending in October and many businesses still not trading at full capacity, and with the added difficulty of having resource and supply chain issues in some sectors.

- 2.9 The recovery action highlighted above will ensure that all collectable debts outstanding will be pursued through rigorous recovery action. Additional resources will be deployed to recover unpaid Council Tax or Business Rates quicker and more effectively once older debts that have been through the recovery process have been removed. Tighter processes and procedures continue to be put in place to maximise recovery of collectable debts earlier in the process. Also, more emphasis has been placed on supporting vulnerable customers who have or are now struggling financially through ensuring all the appropriate support is in place to support and advise customers better, earlier in the recovery process. The anticipated current collection levels over the fullness of time are 97.24%, which the service expects to eventually recover for Council Tax and 95.6% Business Rates. These percentages have reduced due to increased arrears throughout last year. Write offs however are still likely to continue to rise as the economy feels the lasting impact of COVID.
- 2.10 Payment by direct debit is encouraged and the Council currently has 121,175 charge payers paying by direct debit on Council Tax (approx. 72.6% of paying charge-payers). In the last 12 months this has increased by over 4,500 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.
- 2.11 Kirklees is the fifth largest Metropolitan Council in the country in relation to the net debit raised for Council Tax, so for the Yorkshire and Humber Area we will always be towards the top of any monetary list. The Council has 190,140 properties liable for Council Tax (£302.6m gross debit in 2020-21) and 16,102 properties for Business Rates (£146.1m gross debit in 2020-21). Whilst the Council Tax arrears increased in 2020-21 to £21.3m, the percentage compared to the overall net debit (in year and arrears £239.8m) was still approx. 0.01% due to the increase in the annual debit raised in 2020-21. Overall collection of the arrears is being maintained but with the rise of the debit raised the overall figure increased by £2.1m in 2020-21.
- 2.12 Whilst all of the debts highlighted in the report have been formally written off in the accounts for 2020-21, this does not mean that the Council will not pursue this debt if new information comes to light and the prospect for recovering outstanding debts changes. The impact of the COVID pandemic on customers financial circumstances will also be a factor to consider over the coming years as debts have accrued over the last year.

3. Implications for the Council

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 Council's objectives and priorities within available resources:

3.1 Working with People

The debts are from various services charging for either providing a service or for raising annual charges through legislation ie Council Tax, and Business Rates. The Council work with customers to ensure that any debts outstanding are recovered in accordance with the payment terms but if the customer is having financial problems these will be taken into consideration. In certain circumstances debts are written off as either not viable to pursue or on the grounds of hardship or vulnerability where appropriate. Consideration is given to any inequalities and poverty caused by charges raised, and where appropriate debts will be considered for write off.

3.2 Working with Partners

Not applicable

3.3 Place Based Working

Not Applicable

3.4 Climate Change and Air Quality

Not Applicable

3.5 Improving outcomes for children

Not Applicable

3.6 Other (eg Legal/Financial or Human Resources)

Financial

The write off's have an impact on the Council's budget therefore bad provisions are factored into the estimated income from debts/charges raised throughout the year.

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 Appendices on bad debt write offs for 2020-21.

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
01484 221000

Write Off Summary Comparison 19-20 to 20-21							
	*Debit For Year Apr 19 - Mar 20	Write Offs Apr 19 - Mar 20		Directorate	*Debit For Year Apr 20 - Mar 21	Write Offs Apr 20 - Mar 21	
	£	£	%		£	£	%
	<u>Children & Families</u>						
	5,989,587	1,095	0.02%	Learning & Early Support	9,299,635	20,371	0.22%
	118,074	0	0.00%	Child Protection & Family Support	172,554	4,558	2.64%
	<u>Adults & Health</u>						
	1,773,628	0	0.00%	Integration, Access & Community Plus	1,333,717	825	0.06%
	43,314,801	273,660	0.63%	Adults Social Care	55,437,801	422,400	0.76%
	<u>Economy & Infrastructure</u>						
	4,177,122	12,769	0.31%	Growth & Housing	7,989,206	103,693	1.30%
	6,349,081	152,618	2.40%	Economy & Skills	7,692,153	46,410	0.60%
	17,535,594	93,555	0.53%	Environment	14,687,505	38,496	0.26%
	<u>Corporate Strategy, Commissioning & Public Health</u>						
	4,884,608	0	0.00%	Strategy & Innovation	5,850,424	0	0.00%
	4,914,068	38,635	0.79%	Public Health & People	4,684,594	18,118	0.39%
	1,251,547	0	0.00%	Governance & Commissioning	1,651,303	0	0.00%
	745,841	291,139	39.03%	Finance	2,596,126	243,049	9.36%
	<u>Housing Revenue Account</u>						
	2,582,764	83,942	3.25%	HRA	500,251	26,408	5.28%
	93,636,717	947,414	1.01%	General Fund Services	111,895,269	924,328	0.83%
	80,570,786	463,820	0.58%	HRA (excl those on benefits)	81,653,328	301,782	0.37%
	214,810,316	3,040,106	1.42%	Council Tax	218,552,116	1,662,339	0.76%
	106,587,054	1,289,880	1.21%	NNDR (Business Rates)	59,564,692	101,021	0.17%
	495,604,872	5,741,220	1.16%	Grand Total	471,665,405	2,989,470	0.63%

<u>Write Off Summary 20-21</u>											
Directorate	*Debit For Year Apr 20 - Mar 21	Write Offs Apr 20 - Mar 21	%	Compassionate Grounds	Deceased	Liquidation/ Bankruptcy	Not Viable to Pursue	Unable to Trace	Statute Barred	Misc	Total
<u>Children & Families</u>											
Learning & Early Support	9,299,635	20,371	0.22%	0	917	9,659	7,034	1,913	848	0	20,371
Child Protection & Family Support	172,554	4,558	2.64%	0	0	600	3,958	0	0	0	4,558
<u>Adults & Health</u>											
Adults Social Care	55,437,801	422,400	0.76%	31,627	216,408	0	150,938	-990	24,417	0	422,400
Integration, Access & Community Plus	1,333,717	825	0.06%	0	0	0	808	-13	30	0	825
<u>Economy & Infrastructure</u>											
Growth & Housing	7,989,206	103,693	1.30%	0	0	778	102,915	0	0	0	103,693
Economy & Skills	7,692,153	46,410	0.60%	0	384	4,358	29,523	7,720	4,425	0	46,410
Environment	14,687,505	38,496	0.26%	137	0	9,731	26,032	2,595	0	0	38,496
<u>Corporate Strategy, Commissioning & Public Health</u>											
Strategy & Innovation	5,850,424	0	0.00%	0	0	0	0	0	0	0	0
Public Health & People	4,684,594	18,118	0.39%	382	0	0	16,676	1,060	0	0	18,118
Governance & Commissioning	1,651,303	0	0.00%	0	0	0	0	0	0	0	0
Finance	2,596,126	243,049	9.36%	15,838	43,958	16,354	35,083	17,983	113,833	0	243,049
<u>Housing Revenue Account</u>											
HRA	500,251	26,408	5.28%	0	0	0	5,356	0	21,052	0	26,408
General Fund Services	111,895,269	924,328	0.83%	47,984	261,667	41,480	378,324	30,267	164,606	0	924,328
HRA (Excl those on benefits)	81,653,328	301,782	0.37%	2,466	75,690	0	204,419	20,307	0	-1,099	301,782
Council Tax	218,552,116	1,662,339	0.76%	-112	27,687	303,620	1,360,656	-29,512	0	0	1,662,339
NNDR	59,564,692	101,021	0.17%	0	0	34,434	68,929	-2,343	0	0	101,021
Grand Total	471,665,405	2,989,470	0.63%	50,338	365,044	379,534	2,012,328	18,720	164,606	-1,099	2,989,470