



Name of meeting: Corporate Governance and Audit Committee

Date: 29 September 2023

Title of report: Annual report on Bad Debt Write-offs, 2022-23

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 2022-23.

Key Decision - Is it likely to result in spending or saving £500k or more, or to have a significant effect on two or more electoral wards? Decisions having a particularly significant effect on a single ward may also be treated as if they were key decisions.	Yes/ no or Not Applicable No
Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)</u>?	Key Decision – No Private Report/Private Appendix – No
The Decision - Is it eligible for call in by Scrutiny?	Not Applicable – for information
Date signed off by <u>Strategic Director</u> & name Is it also signed off by the Service Director for Finance? Is it also signed off by the Service Director for Legal Governance and Commissioning?	Rachel Spencer – Henshall – 19/9/23 Isabel Brittain – 19/9/23 Julie Muscroft -20/9/23
Cabinet member portfolio	Cllr Graham Turner

Electoral wards affected: None

Ward councillors consulted: No

Public or private: Public

Has GDPR been considered? No personal data is in 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 once again another challenging year financially due to the continued impact of the country's financial situation and subsequently the overall impact this continues to have economically through the local economy. This resulted in an increased number of customers having difficulties paying their bills. It is anticipated this will continue as the cost of living crisis plays out over the coming month/years. This will inevitably mean that there will be some element of suppressed bad debt, this will be debt that due to current circumstances will be harder to collect and will therefore take longer to recover moving forward. There will also be an element of this debt that will become irrecoverable in the future due to increased debts customers will face in the future.

1.3

Overall, debts written-off in 2022-23 totalled £5,311,539m; as a percentage of debt raised in the year, this is 0.97%. The previous year 2021-22, £3,188,230m was written off; equivalent to 0.61% of debt raised (the equivalent write offs in 2020-21 were £2,989,470m and the percentage was 0.63% of debt raised) The overall percentage written off has reduced each year for the previous two years but increased in 2022-23 due to the current financial situation and the accrued uncollectable debts that have built up throughout the last few years. It should be noted there is a high likelihood of more 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 the pandemic and cost of the ongoing living crisis.

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 2022-23. The first table compares amounts written off in 2022-23 to those written off in 2021-22. The second table in **Appendix B** shows a detailed analysis of the reasons for write off in 2022-23. 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 (Finance), Housing Revenue Account (HRA), Business Rates and Council Tax make up the top 5 areas for write offs and demonstrate how important it is for everyone to pay their share of the local taxation and charges to help fund essential Council services.

2.4 The write-offs for Client Financial Affairs relate to the collection and recovery of Adult Social Care charges, which includes charges for long term and short-term care, home care services and Deferred Payment Agreements, amongst others. A key aim of the Adult Social Care Charging Policy is to ensure that where an adult is charged for care and support (including contributing to a personal budget following a financial assessment), that they are not charged more than they can reasonably afford to pay. If a service user is assessed to pay a contribution towards their care costs but does not pay, the Client Financial Affairs, Debt Recovery team will review the case and chase collection of the charges. This is carried out using appropriate collection and recovery action as per the Debt Recovery Policy and is always taken using the legal powers available; however, due to the characteristics of the client group not all charges are recoverable, and the debt recovery team are limited in their powers of collection dependant on the customers circumstances. The debt recovery process has continued in challenging circumstances this year, including staff shortages, the cost-of-living crisis and a rise in the number of customers accessing adult social care services. However, there is a dedicated team who continue to work on improvements in debt collection whilst ensuring they are sympathetic to the needs of our service users. The team work closely with our customers and advice partners, both internally and externally, to ensure all the relevant help and advice is available to help customers who are struggling financially. The team have continued to review each service user's arrears on a case-by-case basis and have used their knowledge and skills to ensure the best outcome is reached for all involved. Whilst the team will try everything in their powers to collect the outstanding arrears, there is still a need to write off debts that may be uncollectable

for several reasons including where the client has deceased without an estate, on compassionate grounds due to financial abuse and if the debt is no longer viable to pursue. The write off figures for 2022/2023 have reduced overall from last year but it has still been necessary to write off unrecoverable debts to ensure that the debt recovery team is concentrating on the cases which are collectable.

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 have potentially impacted the most through the pandemic and with the increased cost of living. 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 in the current climate 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 Council's, Homes & Neighbourhoods service (H&N), manages the Council's social housing stock, and is responsible for the day-to-day management of 21,037 tenanted properties. In accordance with the council's Tenancy Agreements, any rent the tenant is liable for is managed and recovered by H&N's, Income Management Team. There are currently 9,672 tenancies that pay rent and/or arrears by Direct Debit, this is equivalent to 45.98% of all tenanted properties.

A tenant is in breach of a Tenancy Agreement if they fail to pay rent and charges due on a property. If rent arrears continue to escalate an application to seek possession of the property can be made in the County Court, and this may result in the tenant being evicted from the property.

In 2021-22 there were 9 evictions, and in 2022-23 there were 34 evictions for non-payment of rent/charges. The increase in 2022-23 was due to the backlog of high balance cases that required enforcement action. The backlog was caused by the stay on legal action and evictions during the COVID-19 lockdown period.

On average, evictions affect a small proportion of tenanted properties each year. Income and expenditure 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, for which there is an existing HRA bad debt provision set aside to account for unrecoverable debt. In 2022-23 debts totalling £458,039 were written off compared to £301,782 in 2021-22.

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 2022-23 the teams have been dealing with catching up after the pandemic and with customers facing financial difficulties due to the cost of living crisis. With outstanding caseloads, as there has been a backlog of non-payers to pursue through the courts and take necessary recovery action against. Officers have continued to undertake exercises to review 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 several years) and no further action is viable or cost effective, the debts have been written off as unable to collect in line with the Council's bad debt provisions set aside for uncollectable debts. The increase was due to CARF (COVID-19 Additional Relief Fund). The relief was aimed at businesses affected by the pandemic that were ineligible for other support as a reduction in the 2021-22 rates. It was done as a write off on the system. Although the relief applied to the year 2021-22, the write offs were done in 22-23 which is why there is such a large increase in business rates write off figures this year.

The team were also catching up on recovery work that had been left during COVID due to the grants being administered, so there would have been more write offs than normal.

The future economic recovery position is also very difficult to predict, with the current cost of living crisis so there will be debts that will either take longer to collect or will become debts the Council will have to decide if they are viable to collect. The teams will continue to offer support and where appropriate signpost customers to further support to ensure they are getting help financially or otherwise to ensure they are maximising their income. Vulnerable customers will be supported by the appropriate means.

2.9

The recovery action highlighted above will ensure that all collectable debts outstanding will be pursued through appropriate recovery action and support for the customer. 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 current collection levels anticipated over the fullness of time which the service

expects to eventually recover over the fullness of time for Council Tax are 98.5%, and 97.5% Business Rates. These percentages reflect the increase in arrears last year. Write offs however are still likely to continue to rise as the economy feels the impact of the increases in the cost of living and high inflation levels..

2.10

Payment by direct debit is encouraged and the Council currently has 128,270 charge payers paying by direct debit on Council Tax (approx. 77% of paying charge-payers). In the last 12 months this has increased by over 1,404 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 sixth 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 currently has 191,880 properties liable for Council Tax (£333.17m gross debit in 2023-24) and 16,102 properties for Business Rates (£153.52m gross debit in 2023-24). Whilst the Council Tax arrears increased in 2022-23 to £26.12m, the percentage compared to the overall net debit (in year and arrears £268.39m) was still approx. 0.07% due to the increase in the annual debit raised in 2023-24. Overall collection of the arrears is being maintained but with the rise of the debit raised year on year the overall arrears figure increased by £2.68m at the start of 2023-24 financial year.

The table below shows other LA's Council Tax write offs to compare with Kirklees for 2022-23

Council Tax write offs 2021-22			
LA	net debit 22-23	All years write offs	%
Bradford	£271.16m	£2.71m	1.0%
Leicester	£165.11m	£1.48m	0.90%
Wolverhampton	£139.73m	£1.14m	0.82%
Kirklees	£244.53m	£1.67m	0.68%
Doncaster	£157.11m	£826k	0.53%
Rotherham	£148.79m	£634k	0.43%
Stockport	£210.49m	£902k	0.43%
Wakefield	£198.05m	£767k	0.39%
Birmingham	£488.36m	£1.69m	0.34%
Sunderland	£135.25m	£429k	0.31%
Leeds	£441.90m	£1.13m	0.26%
Manchester	£253.22	£561k	0.22%
Calderdale	£124.50m	£214k	0.17%

2.12

Whilst all of the debts highlighted in the report have been formally written off in the accounts for 2022-23, this does not mean that the Council will not write the debts back on the accounts and then pursue this debt if new information comes to light and the prospect for recovering outstanding debts changes in the future.

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**

The Council is working closely with voluntary and community groups (ie foodbanks), and contracted partners ie CAB, Money Advice etc or through the Local Welfare Provision Team (LWP) to support vulnerable households with income management, debt advice that will help support households pay their bills and prioritise debts to ensure customers can maintain a healthy living environment for themselves and their families.

3.3 **Financial Implications for the people living or working in Kirklees**

The implications of writing off debts that are uncollectable does impact on the Council budget and this can have financial implications when looking at future budget setting, and services being provided for residents of Kirklees and local businesses. But each year the Council will make bad debt provisions for monies that will inevitably be uncollectable and be written off in the accounts. Wherever practical every effort will be made to collect as much income as possible for any debts owed to the Council.

4. Consultation

None

5. Engagement

None

6. Next steps and timelines

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

7. Officer recommendations and reasons

Corporate Governance and Audit Committee are recommended to note the information in the Appendices on bad debt write offs for 2022-23.

8. Cabinet Portfolio Holder's recommendations

To note the contents of this report

9. Contact officer

Sarah S Brown, Acting Head of Welfare & Exchequer Services 01484 221000
Mark Stanley, Senior Manager, Welfare & Exchequer Services

10. Background Papers and History of Decisions

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

11. Service Director responsible

Isabel Brittain. Service Director - Finance

Write Off Summary Comparison 21-22 to 22-23							
	*Debit For Year Apr 21 - Mar 22	Write Offs Apr 21 - Mar 22		Directorate	*Debit For Year Apr 22 - Mar 23	Write Offs Apr 22 - Mar 23	
	£	£	%		£	£	%
				<u>Children & Families</u>			
	10,297,234	8,979	0.09%	Learning & Early Support	11,979,918	20,398	0.17%
	173,792	3,088	1.78%	Child Protection & Family Support	334,688	-320	-0.10%
				<u>Adults & Health</u>			
	62,345,462	284,845	0.46%	Adults Social Care	63,232,035	189,970	0.30%
				Integration, Access & Community Plus			
	1,821,285	-99	-0.01%	Customers & Communities	2,006,536	-592	-0.03%
				<u>Economy & Infrastructure</u>			
			0.00%	Growth & Housing			0.00%
			0.00%	Economy & Skills			0.00%
			0.00%	Environment			0.00%
				<u>Environment & Climate change</u>			
	460,138	838	0.18%	Environmental Strategy & Climate Change	6,696,963	-10,522	-0.16%
	9,407,047	21,261	0.23%	Highways & Streetscene	10,668,341	-42,560	-0.40%
	2,838,188	9,077	0.32%	Culture & Visitor Economy	3,929,839	-23,763	-0.60%
				<u>Regeneration & Growth</u>			
	16,354,140	90,178	0.55%	Skills & Regeneration	6,147,830	-14,717	-0.24%
			0.00%	Development	3,093,755	67,536	2.18%
	420,576	5,930	1.41%	Homes & Neighbourhoods	22,203	10,440	47.02%
				<u>Corporate Strategy, Commissioning & Public Health</u>			
	1,051,329	0	0.00%	Strategy & Innovation	976,995	331	0.03%
	4,980,198	6,930	0.14%	Public Health & People	4,879,112	9,118	0.19%
	4,562,087	0	0.00%	Governance & Commissioning	82,000	0	0.00%
	2,341,392	200,528	8.56%	Finance	4,887,997	397,184	8.13%
	1,306,789	0	0.00%	Former KNH Resources	1,035,540	-146	-0.01%
				<u>Housing Revenue Account</u>			
	149,623	372	0.25%	HRA	629,005	7,847	1.25%
	118,509,280	631,927	0.53%	General Fund Services	120,602,755	610,203	0.51%
	82,516,772	458,039	0.56%	HRA (excl those on benefits)	84,965,835	975,212	1.15%
	233,869,920	1,751,297	0.75%	Council Tax	244,526,047	1,671,405	0.68%
	88,120,713	346,968	0.39%	NNDR (Business Rates)	99,828,033	2,054,720	2.06%
	523,016,683	3,188,230	0.61%	Grand Total	549,922,671	5,311,539	0.97%

Write Off Summary 22-23

Directorate	*Debit For Year Apr 22 - Mar 23	Write Offs Apr 22 - Mar 23	%	Compassionate Grounds	Deceased (No Estate)	Liquidation/ Bankruptcy	Not Viable to Pursue	Unable to Trace	Statute Barred	Write Back - Credit Unclaimed	Total
Children & Families											
Learning & Early Support	11,979,918	20,398	0.17%	0	0	14,178	19,210	1,564	0	-14,554	20,398
Child Protection & Family Support	334,688	-320	-0.10%	0	0	0	0	0	0	-320	-320
Adults & Health											
Adults Social Care	63,232,035	189,970	0.30%	32,242	90,742	0	79,364	0	2,980	-15,359	189,970
Customers and Communities	2,006,536	-592	-0.03%	0	0	0	-72	0	0	-520	-592
Environment & Climate change											
Environmental Strategy & Climate Change	6,696,963	-10,522	-0.16%	0	0	360	305	0	0	-11,187	-10,522
Highways & Streetscene	10,668,341	-42,560	-0.40%	0	435	3,329	23,603	0	92	-70,019	-42,560
Culture & Visitor Economy	3,929,839	-23,763	-0.60%	0	1,159	0	3,474	0	4,160	-32,556	-23,763
Regeneration & Growth											
Skills & Regeneration	6,147,830	-14,717	-0.24%	0	0	0	123	0	0	-14,840	-14,717
Development	3,093,755	67,536	2.18%	76	418	6,566	72,486	31	177	-12,219	67,536
Homes & Neighbourhoods	22,203	10,440	47.02%	0	0	0	11,315	0	284	-1,158	10,440
Corporate Strategy, Commissioning & Public Health											
Strategy & Innovation	976,995	331	0.03%	0	0	0	331	0	0	0	331
Public Health & People	4,879,112	9,118	0.19%	647	858	0	7,713	0	0	-100	9,118
Governance & Commissioning	82,000	0	0.00%	0	0	0	0	0	0	0	0
Finance	4,887,997	397,184	8.13%	17,743	64,466	12,386	189,308	87,776	26,830	-1,324	397,184
Former KNH Resources	1,035,540	-146	-0.01%	0	0	0	7	0	0	-153	-146
Housing Revenue Account											
HRA	629,005	7,847	1.25%	0	0	0	7,856	0	0	-10	7,847
General Fund Services	120,602,755	610,203	0.51%	50,708	158,078	36,819	415,024	89,370	34,524	-174,321	610,203
HRA (Excl those on benefits)	84,965,835	975,212	1.15%	16,049	218,210	23,645	685,981	31,328	0	0	975,212
Council Tax	244,526,047	1,671,405	0.68%	0	18,465	382,731	1,221,142	0	49,067	0	1,671,405
NNDR	99,828,033	2,054,720	2.06%	0	2,262	385,761	1,534,176	0	132,520	0	2,054,720
Grand Total	549,922,671	5,311,539	0.97%	66,757	397,015	828,955	3,856,323	120,698	216,111	-174,321	5,311,539