

Annual report on bad debt write-offs, 2023-24

Meeting	Corporate Governance and Audit Committee
Date	6 th December 2024
Cabinet Member (if applicable)	Cllr Graham Turner
Key Decision Eligible for Call In	No No – Information only
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 2023-24.	
Recommendations Corporate Governance and Audit Committee are recommended to note the information in the Appendices on bad debt write offs for 2023-24	
Resource Implication: NA	
Date signed off by <u>Executive Director</u> & name	Rachel Spencer-Henshaw 19th November 2024
Is it also signed off by the Service Director for Finance?	Kevin Mulvaney 19th November 2024
Is it also signed off by the Service Director for Legal and Commissioning (Monitoring Officer)?	Samantha Lawton 19th November 2024

Electoral wards affected: None

Ward councillors consulted: None

Public or private: Public

Has GDPR been considered? Yes, no personal data included

1. Executive 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 likely 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 2023-24 totalled £5.36m; as a percentage of debt raised in the year, this is 0.92%. The previous year 2022-23 £5.31m was written off; equivalent to 0.97% of debt raised. The overall percentage written off in 2023-24 is slightly lower in % terms than 2023-23 but remains an ongoing issue due to the current financial climate and in part due to the build-up of debts throughout the pandemic.

From an accounting perspective, the Council makes a regular assessment of the level of bad debt provision that is required in each service area and at the year provides an appropriate sum by charging that amount to the relevant revenue account to ensure that the Council is reflecting the risk of uncollectable debt and that it is not exposed to significant write off pressure in any one year.

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 2023-24. The first table compares amounts written off in 2023-24 to those written off in 2022-23. The second table in Appendix B shows a detailed analysis of the reasons for write off in 2023-24. 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.

Directorate	Debit for Year April 23-March 24	Write offs April 23-March 24	%
Adults Social Care	68,570,941	257,508	0.38%
Housing Benefit Overpayment (Finance)	3,413,920	125,540	3.68%
HRA (Excl those on benefits)	89,967,474	627,449	0.70%
Council Tax	260,813,827	2,945,886	1.13%
NNDR	95,368,184	1,164,717	1.22%

- 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. Client Financial Affairs use a financial assessment form in order to access contributions.

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 been challenging this year, with staff shortages due to unexpected absence and difficulties recruiting, 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 adult social care, 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 and in accordance with the Council's debt recovery policy 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 have increased slightly compared to 2022-23, likely in part due to overall increased care packages. It will always be 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 increased cost of living.

Aged 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 20,310 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 9,340 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 2022-23 there were 34 evictions, and in 2023-24 there were 31 evictions for non-payment of rent/charges.

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 2023-24 debts totalling £700,456 were written off compared to £458,039 in 2022-23.

- 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 2023-24 the teams still had higher workloads due to the fall out post the pandemic and also 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.
- 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. 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 which the service expects to eventually recover over the fullness of time for Council Tax are 98.5%, and 97.5% Business Rates.

Council Tax – Fullness of time target 98.5%							
Year	2023	2022	2021	2020	2019	2018	2017-1993
%	96.41%	97.6%	97.98%	98.39%	98.24%	98.15%	98.78%

Business Rates – Fullness of time target 97.5%							
Year	2023	2022	2021	2020	2019	2018	2017-1993
%	96.73%	97.52%	97.39%	97.09%	98.15%	98.59%	98.69%

2.10 Payment by direct debit is encouraged and the Council currently has 133,598 charge payers paying by direct debit on Council Tax, we average around 75% of paying charge-payers making payment in this way. 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 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 192,654 properties liable for Council Tax (£283.118m net debit in 2024-25) and 16,222 properties for Business Rates (£104.50m net debit in 2024-2025).

The Council Tax arrears maintained in 2023-24 at £26.11m compared to £26.12m in 2022/23. Given the increase in net debit of £16m and the overall fullness of time collection figure of 98.44% (not including write offs) recovery was robust.

The table below shows other LA's Council Tax write offs to compare with Kirklees for 2023-24

Council Tax write offs 2023-24				

LA	Net debit 23-24	Collection 23/24	%	All years write offs	% to net
Stockport	£219.7m	£214.2m	97.48%	£1.3m	0.006%
Rotherham	£156.8m	£152m	96.92%	£786k	0.005%
Barnsley	£139.1m	£134.5m	96.72%	£2m	0.014%
Calderdale	£133.5m	£128m	95.86%	£837k	0.006%
Kirklees	£260.8m	£248.4m	95.22%	£3.6m	0.013%
Wakefield	£208.7m	£198.2m	94.97%	£2.2m	0.01%
Bradford	£288.3m	£271.7m	94.22%	£3.7m	0.012%
Leeds	£472.1m	£443.8m	94.01%	£1.3m	0.002%
Doncaster	£167m	157m	94.01%	£1m	0.006%
Wolverhampton	£147.6m	£137.5m	93.14%	£1.5m	0.01%
Sunderland	£141.5m	£131.3m	92.74%	£579k	0.004%
Leicester	£174.3m	£161.4m	92.60%	£1.6m	0.009%
Sheffield	£326.7m	£301.4m	92.26%	£2m	0.006%
Birmingham	£516.6m	£469.7m	90.91%	£1.9m	0.003%
Manchester	£268.8m	£236m	87.78%	£16.8m	0.06%

2.12 Whilst all of the debts highlighted in the report have been formally written off in the accounts for 2023-24, 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 Council Plan

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.

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..

3.2 Financial Implications

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 across services but more attention is paid to those areas in 2.3 given they have the most

significant debt. With the current cost of living crisis being faced by many households the Council is committed to supporting vulnerable households as part of the ongoing recovery action, including referring customers onto its local welfare provision team for support, alongside a range of ongoing significant national government support measures for households (ie Housing Support Fund (HSF) and other support for our businesses. We also offer additional local support via the Benefits team and through the Council Tax Reduction Scheme or offering discretionary support with accrued debts.

4. Consultation

n.a

5. Engagement

n.a

6. Options

Corporate Governance and Audit Committee are recommended to note the information in the Appendices on bad debt write offs for 2023-24.

7. Contact officer

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

8. Next steps

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

9. Background Papers and History of Decisions

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

10. Appendices

Appendix A – Write off summary comparison 22-23 to 23-24
Appendix B – Write off summary 23-24

11. Service Director responsible

Kevin Mulvaney. Service Director - Finance

Appendix A

Write Off Summary Comparison 22-23 to 23-24

*Debit For Year Apr 22 - Mar 23	Write Offs Apr 22 - Mar 23		Directorate	*Debit For Year Apr 23 - Mar 24	Write Offs Apr 23 - Mar 24	
£	£	%		£	£	%
<u>Children & Families</u>						
11,979,918	20,398	0.17%	Learning & Early Support	13,383,536	7,896	0.06%
334,688	-320	-0.10%	Child Protection & Family Support	224,337	0	0.00%
<u>Adults & Health</u>						
63,232,035	189,970	0.30%	Adults Social Care	68,570,941	257,508	0.38%
2,006,536	-592	-0.03%	Customers & Communities	1,519,668	-322	-0.02%
3,929,839	-23,763	-0.60%	Culture & Visitor Economy	4,400,949	1,374	0.03%
<u>Growth & Regeneration</u>						
6,147,830	-14,717	-0.24%	Skills & Regeneration	17,570,408	55,838	0.32%
3,093,755	67,536	2.18%	Development	3,406,987	65,059	1.91%
10,668,341	-42,560	-0.40%	Highways & Streetscene	13,092,105	70,281	0.54%
<u>Corporate Strategy, Commissioning & Public Health</u>						
976,995	331	0.03%	Strategy & Innovation	1,843,193	0	0.00%
4,879,112	9,118	0.19%	Public Health & People	4,175,153	8,712	0.21%
82,000	0	0.00%	Governance & Commissioning	185,245	0	0.00%
4,887,997	397,184	8.13%	Finance	3,413,920	125,540	3.68%
6,696,963	-10,522	-0.16%	Environmental Strategy & Climate Change	743,018	29,860	4.02%
1,035,540	-146	-0.01%	Former KNH Resources	0	0	0.00%
<u>Housing Revenue Account</u>						
651,208	18,287	2.81%	HRA	931,262	71	0.01%
120,602,755	610,203	0.51%	General Fund Services	133,460,721	621,816	0.47%
84,965,835	975,212	1.15%	HRA (excl those on benefits)	89,967,474	627,449	0.70%
244,526,047	1,671,405	0.68%	Council Tax	260,813,827	2,945,886	1.13%
99,828,033	2,054,720	2.06%	NNDR (Business Rates)	95,368,184	1,164,717	1.22%
549,922,671	5,311,539	0.97%	Grand Total	579,610,206	5,359,867	0.92%

Appendix B

<u>Write Off Summary 23-24</u>											
Directorate	*Debit For Year Apr 23 - Mar 24	Write Offs Apr 23 - Mar 24	%	Compassionate Grounds	Deceased (No Estate)	Liquidation/ Bankruptcy	Not Viable to Pursue	Unable to Trace	Statute Barred	Write Back - Credit Unclaimed	Total
<u>Children & Families</u>											
Child Protection & Family Support	224,337	0	0.00%	0	0	0	0	0	0	0	0
Learning & Early Support	13,383,536	7,896	0.06%	0	195	0	6,815	0	0	886	7,896
<u>Adults & Health</u>											
Adults Social Care	68,570,941	257,508	0.38%	47,384	174,148	24,812	41,145	171	14,536	-44,690	257,508
Customer & Communities	1,519,668	-322	-0.02%	0	0	0	0	0	0	-322	-322
Culture & Visitor Economy	4,400,949	1,374	0.03%	0	931	0	2,286	0	0	-1,843	1,374
<u>Growth & Regeneration</u>											
Skills & Regeneration	17,570,408	55,838	0.32%	0	0	733	47,157	0	0	7,948	55,838
Development	3,406,987	65,059	1.91%	10,072	206	33,604	20,736	1,616	1,499	-2,674	65,059
Highways & Streetscene	13,092,105	70,281	0.54%	0	0	21,508	50,955	2,500	3,757	-8,440	70,281
<u>Corporate Strategy, Commissioning & Public Health</u>											
Strategy & Innovation	1,843,193	0	0.00%	0	0	0	0	0	0	0	0
Public Health & People	4,175,153	8,712	0.21%	0	178	0	8,569	0	0	-34	8,712
Governance & Commissioning	185,245	0	0.00%	0	0	0	0	0	0	0	0
Finance	3,413,920	125,540	3.68%	26,931	20,724	1,360	27,738	48,317	470	0	125,540
Environmental Strategy & Climate Change	743,018	29,860	4.02%	0	0	228	30,954	0	0	-1,322	29,860
<u>Housing Revenue Account</u>											
HRA	931,262	71	0.01%	0	0	0	208	0	0	-137	71
General Fund Services	133,460,721	621,816	0.47%	84,387	196,382	82,245	236,564	52,604	20,262	-50,628	621,816
HRA (Excl those on benefits)	89,967,474	627,449	0.70%	4,689	140,029	26,086	418,375	35,504	2,767	0	627,449
Council Tax	260,813,827	2,945,886	1.13%	-4,416	52,523	389,976	2,301,541	206,262	0	0	2,945,886
NNDR	95,368,184	1,164,717	1.22%	0	6,521	334,229	733,855	90,112	0	0	1,164,717
Grand Total	579,610,206	5,359,867	0	84,660	395,455	832,536	3,690,334	384,482	23,029	-50,628	5,359,867