

Report sponsor: Alison Parkin, Director of Financial Services
Report author: John Massey, Head of Revenues, Benefits and Exchequer Services

Writing off uncollectable Sundry Debts and Housing Benefit Overpayments.

Purpose

- 1.1 The purpose of this report is to recommend Sundry Debts and Housing Benefit Overpayments, deemed uncollectable, to Council Cabinet for write-off in accordance with the Council's current Financial Procedure Rules.
- 1.2 Each financial year the Council is tasked with collecting very large sums of money from residents and businesses across the city. For the financial year 2021/22 the current estimates are £70million for Sundry Debts and £1.5million for Housing Benefit Overpayments. Whilst overall collection rates are high it is inevitable that some debts cannot be collected. Although not an exhaustive list, some of the main reasons a debt cannot be collected are listed below.
 - The debtor dies,
 - The debtor is declared bankrupt or is subject to other insolvency proceedings,
 - A business is wound up or liquidated or is subject to other insolvency proceedings,
 - The debtor absconds,
 - A court remits the debt.
- 1.3 The Council recognises that not all debts can be collected and therefore, as part of having sound and prudential financial management arrangements in place, makes a provision for debts classed as bad or doubtful.
- 1.4 Regularly reviewing the Council's debt profile and referring those debts judged uncollectable for write-off is also deemed to be sound financial management. Doing so reduces the respective level of arrears and bad debt provisions whilst ensuring that a more realistic position of collectable debt is presented within the Council's accounts.
- 1.5 Potted histories, setting out the rationale for recommending the debts for write-off, are included in a confidential report elsewhere on the Cabinet agenda.

Recommendation

- 2.1 To approve writing off Sundry Debts of £801,368.07 and Housing Benefit Overpayment debt of £36,784.15 as set out in appendices 1 and 2 respectively.

Reasons

- 3.1 To remove those debts judged to be uncollectable from the Council's accounts in turn reducing the level of arrears and bad debt provision.
- 3.2 To ensure our resources target recovery action against debts that remain collectable.

Supporting information

- 4.1 **Sundry Debts.**
- 4.2 Businesses and individuals are liable to pay a Sundry Debt where they receive goods or services from the Council, which are chargeable. The amount charged varies and can be from a few pounds to millions. The total amount of Sundry Debt raised each financial year is very large, for example, at the time of writing, in the 2021/22 financial year alone the amount collectable is estimated at being around £70million
- 4.3 The Sundry Debt collection process involves the issue of invoices in most cases, followed by reminders should the invoice not be paid. More advanced recovery methods can include referring to external collection agents and the use of litigation action in selected cases. Whilst the team operate a robust recovery regime and every reasonable effort is taken to collect all debts, it is inevitable that some cannot be.
- 4.4 There are several different reasons that Sundry Debts cannot be collected, including, but not limited to.
 - Death of the Sundry Debtor – for example where the debtor dies leaving no assets or, in rare cases, where a debtor dies intestate or the executors cannot be traced,
 - Absconders who cannot be traced – depending upon the value of the debt both internal and external checks will be completed, but in some cases whereabouts cannot be established,
 - Winding up/liquidation of a company or other insolvency action – for example where a business is liquidated all outstanding Sundry Debts for which that business is liable will be written off. Should a dividend subsequently be made the value of the dividend will be written back onto the account.
 - Bankruptcy of an individual or other insolvency action. In such cases the steps outlined in the bullet point immediately above will be followed.
- 4.5 The list of Sundry Debt accounts recommended for write-off is included at Appendix 1.

4.6 **Housing Benefit Overpayments**

- 4.7 Housing Benefit Overpayments occur when a claimant receives Housing Benefit which they are not entitled to. These reasons for this vary but include mistakes by the claimant and fraudulent claims. Overpayments can also occur if a mistake is made by the local authority when assessing entitlement or the local authority delays making a change to a claimant's entitlement. When an overpayment occurs because of a local authority error and it is not reasonable to expect that the claimant knew they were being overpaid, the overpayment is classed as non-recoverable.
- 4.8 Once the Council has decided that a Housing Benefit Overpayment is recoverable every effort is taken to recover it. Recovery methods include direct deductions from on-going entitlement to Housing Benefit, applying for direct deductions from other appropriate welfare benefits, invoicing/reminders or direct deductions from the debtor's earnings.
- 4.9 As with Sundry Debts, despite best endeavours not all Housing Benefit Overpayments can be collected. The reasons for write-off set out in paragraph 4.4 also apply to Housing Benefit Overpayments. Further, overpayments also must be written off where the debt is judged non-recoverable.
- 4.10 The list of Housing Benefit Overpayment accounts recommended for write-off is included at Appendix 2. It should be noted that these three debts were recommended for write-off at the Cabinet meeting on 9 March 2022 and duly approved. However, a calculation error in paragraph 2.1 meant that the value recommended for write-off was understated and therefore they are re-presented to Cabinet for write-off. The reasons for write-off remain the same.
- 4.11 The Council recognises that not all debts can be collected and therefore as part of prudent financial management has a bad debt provision. The level of this provision is determined by both the value of age profile of arrears and the provision is checked and recalculated annually to ensure that the provision the Council has in place is fit for purpose. Should Council Cabinet agree with recommendation 2.1 and write-off the debts included in this report that will be reflected in future calculations of the Council's bad debt provision.
- 4.12 Although writing off a debt will always be considered a last resort it is important that the Council's debt profile is regularly reviewed and that debts considered irrecoverable are recommended for write-off. If such action is not taken then arrears will grow as will the associated bad debt provision. Increasing arrears is also likely to receive attention from the Council's external auditors, when auditing the statement of accounts for reasonableness, and therefore it is important that only debts deemed collectable are shown on the balance sheet.
- 4.13 Should a debt be written off and then the reason for the write-off is no longer appropriate – for example a debtor that has absconded is traced – the debt will be written back on and pursued if possible.
- 4.14 For confidentiality reasons this report can only include limited detail about the debtor and the debt including account/invoice reference number, the period the debt covers or the date the invoice was raised, the value and a high-level reason for the recommendation to write-off. Further details, setting out the action taken to try and

recover the debt, together with the rationale for recommending the debts for write-off, are included in a confidential report elsewhere on the Cabinet agenda.

Public/stakeholder engagement

- 5.1 No consultation has taken place or is required for the recommendations in this report.

Other options

- 6.1 Do not write-off the debts listed in this report. This has been rejected because it would result in arrears continuing to rise bringing with it reputational risks through criticism from the Council's auditors and having to further increase the bad debt provision.

Financial and value for money issues

- 7.1 All the debts contained within this report will be offset against their respective bad debt provisions and there will be no financial impact that the council has not considered and provided for as part of the year-end bad debt provision review for 2021/22. The bad debt provision will again be reviewed at the end of the 2022/23 financial year to ensure that adequate provision remains in place going forwards. Further, any debt written off can subsequently be written back on should circumstances dictate.
- 7.2 For the Housing Benefit Overpayment debts there will be no loss of Housing Benefit subsidy because of writing off the debts listed in Appendix 2.

Legal implications

- 8.1 The Council's Financial Procedure Rules provide for writing off bad debts.
- 8.2 Some debts are not recoverable after a period, known as a 'limitation period', where there has been no payment (or admission of liability) and where the creditor (DCC) has not obtained a judgment/court order.

Climate implications

- 9.1 Nil with this report.

Other significant implications

- 10.1 Nil with this report.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Odowu, Head of Legal Services	30 March 2022
Finance	Toni Nash, Head of Financial Services	30 March 2022
Service Director(s)	Alison Parkin, Director of Financial Services	30 March 2022
Report sponsor		
Other(s)	Peter Shillcock, Group Accountant	30 March 2022

Background papers:	
List of appendices:	Appendix 1 – Sundry Debt account recommended for write-off. Appendix 2 – Housing Benefit Overpayment accounts recommended for write-off.

Appendix 1

The table below lists a Sundry Debt account that is recommended to Cabinet for write off.

Invoice	Date invoice raised	Reason for Write Off	Outstanding Total
Case 1: 1346454 8183643 8184034 8184199 8185016 8186597 8187089 8187545	04/12/2018 01/02/2019 01/03/2019 01/04/2019 01/05/2019 01/09/2019 01/10/2019 01/11/2019	Company dissolved	£49,163.31 £29,166.67 £29,166.67 £29,166.67 £29,166.67 £29,166.67 £29,166.67 £26,250.00 Case 1 total £250,413.33
Case 2 1286456	18/02/2015	Irrecoverable debt	£24,136.93
Case 3 1338991 1352998	31/05/2018 01/02/2019	Company dissolved	£5,604.63 £20,192.50 Case 3 total £25,797.13
Case 4 1331059 1342268	14/12/2017 29/08/2018	Company dissolved	£16,078.96 £1,275.76 Case 4 total £17,354.72
Case 5 1342746 1350374 1351925 1354930 1357791 1359135 1359143	12/09/2018 05/03/2019 29/03/2019 25/06/2019 30/08/2019 04/10/2019 07/10/2019	Company in administration	£800.00 £18,624.38 £12,831.00 £8,424.36 £13,223.28 £4,180.68 £468.72 Case 5 total £58,552.42
Case 6 9164132 9166814 9173274 9174578 9174988	30/09/2013 14/02/2014 16/01/2015 10/04/2015 10/04/2015	Deceased no estate	£533.16 £11,007.20 £5,113.85 £1,596.48 £7,487.88 Case 6 total £25,738.57
Case 7 9172205	21/11/2014	Deceased, irrecoverable debt	£186.98

9172203	21/11/2014		£212.49
9169136	06/06/2014		£495.80
9169373	06/06/2014		£436.28
9168474	09/05/2014		£495.80
9168809	09/05/2014		£436.28
9167960	11/04/2014		£486.00
9168382	11/04/2014		£436.28
9167813	14/03/2014		£436.28
9167625	14/03/2014		£486.00
9167027	14/02/2014		£486.00
9167234	14/02/2014		£436.28
9166314	16/01/2014		£436.28
9166331	16/01/2014		£486.00
9165830	19/12/2013		£486.00
9166102	19/12/2013		£436.28
9165455	22/11/2013		£436.28
9165335	22/11/2013		£486.00
9164934	25/10/2013		£436.28
9164634	25/10/2013		£486.00
9164267	30/09/2013		£436.28
9164217	30/09/2013		£486.00
9163479	30/08/2013		£486.00
9163719	30/08/2013		£436.28
9162858	02/08/2013		£9.20
9161420	07/06/2013		£486.00
9161876	07/06/2013		£436.28
9161002	08/05/2013		£486.00
9160775	08/05/2013		£436.28
9159179	15/02/2013		£436.28
9158352	17/01/2013		£476.80
9158638	17/01/2013		£436.28
9157948	19/12/2012		£436.28
9157592	19/12/2012		£476.80
9157250	23/11/2012		£436.28
9156815	23/11/2012		£476.80
9156047	22/10/2012		£236.57
			Case 7 total
			£15,830.00
Case 8		Deceased no estate	
9172774	18/12/2014		£11,976.95
Case 9		Deceased no estate	
4146973	14/12/2016		£239.59
4146047	17/11/2016		£1,118.08
4142498	20/10/2016		£1,118.08
4139018	22/09/2016		£1,118.08
4135525	25/08/2016		£1,118.08
4132012	28/07/2016		£5,790.06
			Case 9 total
			£10,501.97
Case 10		Deceased, irrecoverable debt	
9172734	18/12/2014		£387.84
9167514	14/03/2014		£517.12

9167038	14/02/2014		£517.12
9166255	16/01/2014		£517.12
9166019	19/12/2013		£517.12
9165148	22/11/2013		£517.12
9164596	25/10/2013		£517.12
9163863	30/09/2013		£541.12
9163411	30/08/2013		£512.32
9162693	02/08/2013		£512.32
9162137	05/07/2013		£512.32
9161521	07/06/2013		£512.32
9160796	08/05/2013		£512.32
9160284	11/04/2013		£3,253.99
9156905	23/11/2012		£357.60
Case 10 total			£10,204.87
Case 11			
9173859	13/02/2015	Deceased,	£2,762.31
9173860	13/02/2015	irrecoverable debt	£14,796.22
Case 11 total			£17,558.53
Case 12			
9165615	22/11/2013		£351.48
9165018	25/10/2013		£351.48
9164397	30/09/2013		£351.48
9163770	30/08/2013		£351.48
9163178	02/08/2013		£351.48
9162573	05/07/2013		£351.48
9161944	07/06/2013		£351.48
9161315	08/05/2013		£351.48
9160690	11/04/2013		£353.08
9159979	15/03/2013		£353.08
9159326	15/02/2013		£353.08
9158691	17/01/2013		£353.08
9158021	19/12/2012		£353.08
9157361	23/11/2012		£353.08
9156630	22/10/2012	Deceased,	£353.08
9155948	28/09/2012	irrecoverable debt	£353.08
9155296	31/08/2012		£353.08
9154636	03/08/2012		£353.08
9153955	06/07/2012		£353.08
9153311	08/06/2012		£3,202.92
9151543	13/04/2012		£80.00
9150860	16/03/2012		£80.00
9150481	17/02/2012		£80.00
9149326	20/01/2012		£80.00
9148646	06/01/2012		£80.00
9147831	25/11/2011		£80.00
9147066	28/10/2011		£80.00
9146407	30/09/2011		£80.00
9145955	02/09/2011		£357.68
9145973	02/09/2011		£80.00
9145207	05/08/2011		£80.00

9145189	05/08/2011		£379.68
9144137	08/07/2011		£80.00
9144116	08/07/2011		£379.68
9143493	09/06/2011		£80.00
9143446	09/06/2011		£807.32
9142673	13/05/2011		£80.00
9142653	13/05/2011		£807.32
9141930	15/04/2011		£789.60
9141972	15/04/2011		£80.00
9141278	17/03/2011		£80.00
9141255	17/03/2011		£789.60
9140616	18/02/2011		£80.00
9140594	18/02/2011		£789.60
9139782	21/01/2011		£80.00
9139757	21/01/2011		£789.60
9139060	07/01/2011		£5,606.66
9139086	07/01/2011		£597.14
			Case 12 total
			£23,352.52
Case 13			
4501247	12/04/2016		£256.36
4501029	10/03/2016		£256.36
4500803	11/02/2016		£256.36
4500576	14/01/2016		£256.36
4107170	14/01/2016		£265.24
4104084	16/12/2015		£541.20
4500337	16/12/2015		£256.36
4500094	27/11/2015		£256.36
4100644	24/11/2015		£541.20
9178488	22/10/2015		£256.36
9178564	22/10/2015		£541.20
9177986	24/09/2015		£256.36
9178230	24/09/2015		£541.20
9177565	27/08/2015		£4,966.15
9177514	27/08/2015		£2,371.33
			Case 13 total
			£11,818.40
Case 14		Deceased no	
1317232	17/02/2017	estate	£10,145.90
Case 15		Deceased,	
4503019	17/11/2016	irrecoverable debt	£11,615.97
Case 16			
1271461	18/12/2013		£44,483.66
1271462	18/12/2013		£119,654.00
1271463	18/12/2013	Irrecoverable debt	£69,183.33
1271465	18/12/2013		£17,529.89
			Case 16 total
			£250,850.88
Case 17			
1276733	16/05/2014	Irrecoverable debt	£25,518.98
		Total	<u>£801,368.07</u>

Appendix 2

The table below lists Housing Benefit Overpayment debts recommended to Cabinet for write off.

Invoice	Date invoice raised	Reason for Write Off	Outstanding Total
1: 71409546	23/08/2021	Non-recoverable debt.	£15,331.81
2: 71421773	20/12/2021	Debtor deceased.	£11,405.16
3: 71414913	12/10/2021	Non-recoverable debt.	£10,047.18
Total			£36,784.15