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**Writing off uncollectable Business Rate, Housing Benefit Overpayment and Sundry Debts.**

**Purpose**

- 1.1 The purpose of this report is to recommend Business Rates, Housing Benefit Overpayment and Sundry Debts, 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 £80million for Business Rates, £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 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.

## Recommendation

- 2.1 To approve writing off Business Rates debt of £401,832.79, Housing Benefit Overpayment debt of £27,784.15 and Sundry Debt of £16,965.00 as set out in appendices 1, 2 and 3 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 **Business Rates.**
- 4.2 Business Rates are charged on over 9,000 commercial premises across the city. The amounts involved are very large, for example in the 2021/22 financial year alone the amount collectable is nearly £80million
- 4.3 The collection environment has been difficult for several years now but particularly so for the last couple of years since the COVID-19 pandemic. The Business Rates team operate a robust recovery regime which include regular referrals to the Council's Enforcement Agents (bailiffs) but whilst every reasonable effort is taken to collect all debts, it is inevitable that some cannot be.
- 4.4 There are a number of different reasons that Business Rates debts cannot be collected, including, but not limited to;
  - Death of the Business Rates payer – for example in the case of a sole trader 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 Business Rates debts for that business will be written off. Should a dividend subsequently be made the value of the dividend will be written back onto the account.
- 4.5 The list of Business Rates 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 Business Rates, 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 although as claimants are individuals it is bankruptcy, rather than winding up/liquidation that is appropriate. 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.

#### **4.11 Sundry Debts**

- 4.12 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.
- 4.13 As with Business Rates the amount of Sundry Debts collectable is large with the value raised between April 2021 and January 2022 standing just below £58million. This figure is estimated to rise to around £70million at the end of the 2021/22 financial year.
- 4.14 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. As with other debt streams not all Sundry Debts can be collected and the main reasons for write-off are as set out in paragraph 4.4 of this report.
- 4.15 The list of Sundry Debt accounts recommended for write-off is included at Appendix 3.
- 4.16 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.

- 4.17 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.
- 4.18 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.
- 4.19 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. The bad debt provision will be reviewed at the end of the 2021/22 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 Idowu, Head of Legal Services	11 February 2022
Finance	Toni Nash, Head of Financial Services	10 February 2022
Service Director(s)		
Report sponsor	Alison Parkin, Director of Financial Services	15 February 2022
Other(s)	Liz Moore, Head of HR	14 February 2022
	Gemma Hadfield, Principal Accountant	10 February 2022
	Magda Cisek, Principal Accountant	14 February 2022
	Lee Haynes, Head of Information, Transformation & Business Applications	16 February 2022

<b>Background papers:</b>	
<b>List of appendices:</b>	Appendix 1 – Business Rates accounts recommended for write-off Appendix 2 – Housing Benefit Overpayment accounts recommended for write-off Appendix 3 – Sundry Debt account recommended for write-off

**Business Rates write-offs**

The table below lists Business Rates debts that are recommended to Cabinet for write off.

<b>Case ref and billing number</b>	<b>Financial Year</b>	<b>Reason for Write Off</b>	<b>Balance Outstanding</b>
1. 40643849	2018/19	Company Dissolved	£15,256.09
2. 40687443	2018/19 2019/20	Company Dissolved	£14,064.56
3. 40572459 40532116 40593265	2018/19 2019/20	Company in Liquidation	£11,632.72
4. 40649458	2018/19 2019/20	Company Dissolved	£11,756.67
5. 40630263	2018/19 2019/20	Company Dissolved	£19,814.97
6. 40647353	2018/19 2019/20	Company Dissolved	£12,214.12
7. 40639758	2018/19 2019/20	Company Dissolved	£12,953.70
8. 40653136	2019/20	Company Dissolved	£14,309.09
9. 40644712	2017/18 2018/19	Company in Liquidation	£10,636.72
10. 40426105	2018/19 2020/21	Company Dissolved	£11,901.30
11. 40630850	2018/19 2019/20	Company Dissolved	£10,134.88
12. 40646640 40646664	2018/19	Company Dissolved	£17,422.50
13. 40642693	2017/18 2018/19	Company Dissolved	£10,135.40
14. 40596356 40597274	2016/17 2017/18	Enforcement Agent unable to trace	£11,169.52
15. 40612111 40612128 40612135 40623166	2017/18 2018/19	Outside Recovery Area	£11,912.93
16. 40553861	2015/16 2016/17	Company Dissolved	£21,540.41
17. 40674614	2019/20	Company Dissolved	£26,996.84
18. 40608389	2017/18 2018/19	Company Dissolved	£22,815.04
19. 40642235 40631563	2017/18 2018/19	Company Dissolved	£19,951.66

<b>20.</b> 40625643	2018/19 2019/20	Company Dissolved	£10,818.88
<b>21.</b> 40685904 40064422 40648066	2018/19 2019/20	Company in Administration	£10,352.79
<b>22.</b> 40657039	2019/20	Company Dissolved	£23,714.60
<b>23.</b> 40619884	2020/21	Company in Liquidation	£11,193.11
<b>24.</b> 40597373	2018/19	Company Dissolved	£10,160.90
<b>25.</b> 40605403	2017/18 2018/19	Company Dissolved	£10,599.25
<b>26.</b> 40650014	2018/19 2019/20	Company Dissolved	£10,868.17
<b>27.</b> 40626776	2018/19 2019/20	Company Dissolved	£13,647.11
<b>28.</b> 40499585	2010/11 2011/12 2012/13 2013/14	Company ceased trading	£13,858.86
<b>TOTAL</b>			<b>£401,832.79</b>

## Appendix 2

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

<b>Invoice</b>	<b>Date invoice raised</b>	<b>Reason for Write Off</b>	<b>Outstanding Total</b>
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
<b>Total</b>			<b>£27,784.15</b>



### Appendix 3

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

<b>Invoice</b>	<b>Date invoice raised</b>	<b>Reason for Write Off</b>	<b>Outstanding Total</b>
Case 1: 1289639	20/05/2015	Company liquidated	£16,965.00