

ABERDEEN CITY COUNCIL

COMMITTEE	City Growth and Resources
DATE	18 September 2018
REPORT TITLE	Unrecoverable Debt
REPORT NUMBER	CUS/18/134
DIRECTOR	Andy MacDonald
CHIEF OFFICER	Jacqui McKenzie
REPORT AUTHOR	Wayne Connell
TERMS OF REFERENCE	1.2

1. PURPOSE OF REPORT

- 1.1 To advise numbers and values of Council Tax, Non-Domestic Rates and Housing Benefit Overpayments made unrecoverable during 2017/18 as required in terms of Financial Regulations and approve Non-Domestic Rates write offs in excess of £25,000.

2. RECOMMENDATION(S)

- 2.1 The Committee is asked to note the value of Council Tax, Non-Domestic Rates and Housing Benefit Overpayments deemed by the Chief Officer - Finance as unrecoverable and shown in Appendices 1 to 4; and
- 2.2 Approve the Non-Domestic Rates debts in excess of £25,000 shown in Appendix 5 are unrecoverable and be written off.

3. BACKGROUND

- 3.1 The figures included within this report relate to those debts treated as unrecoverable during the financial year 2017/18. Apart from Sequestrations, debts are not deemed unrecoverable where there is on-going liability. The sums mostly relate to previous years where all approved recovery procedures have been followed. Full bad debt provision has been made in the accounts.
- 3.2 It must be emphasised that prior to completing the list, full advice, where appropriate, has been received from the Council's Debt Recovery Agents (Sheriff Officers) in determining that debts are indeed unrecoverable.
- 3.3 It should be noted that despite being deemed unrecoverable at this time, should the debtor be subsequently located, the debt will be reinstated and pursued. During 2017/18, Council Tax debts previously written off with a value of £57,472.36 were reinstated or recovered, for example by finding new addresses for the debtors.

3.4 Council Tax:

3.4.1 In total 14,926 debts were deemed unrecoverable with a value of £1,510,297.65. After allowing for £57,472.36 in recoveries and reinstatements, the net amount is £1,452,825.29. This is compared with the previous year where 8,166 debts were deemed unrecoverable with a net value of £1,075,916.81.

3.4.2 A breakdown over the years and reasons is shown in Appendix 1.

3.5 Housing Benefit Overpayments:

3.5.1 In total 2,269 debts were deemed unrecoverable with a value of £289,954.09. This is compared with the previous year where 1,775 debts were deemed unrecoverable with a value of £231,218.17.

3.5.2 A breakdown of the reasons is shown in Appendix 2.

3.6 Non-Domestic Rates:

3.6.1 In total 321 debts were deemed unrecoverable with a value of £1,483,651.14. This is compared with the previous year where 286 debts were deemed unrecoverable with a net value of £1,326,842.50.

3.6.2 A breakdown over the years and reasons are shown in Appendix 3.

3.6.3 Appendix 4 shows 16 debts with values above £25,000 and reasons are shown. The Committee is asked to deem the value of £841,494.30 as unrecoverable (totals also included in Appendix 3).

4. FINANCIAL IMPLICATIONS

4.1 The sums deemed as unrecoverable are fully provided for in terms of bad debt provision.

4.2 To put the level of unrecoverable debt into context, the annual sums raised in 2017/18 for Council Tax (including water charges) and Business Rates were £158.1m and £270.3m respectively. The sums deemed unrecoverable cover a number of financial years.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Loss of income to the Council	L	The sums deemed as unrecoverable are fully provided for in terms of bad debt provision and debts are only written off where absolutely necessary.
Legal	None Identified		
Employee	None Identified		
Customer/ Reputational	There is the possibility of a negative perception of the decision to write off debt due.	L	Communication to advise debts are pursued vigorously but there is no option but to class some debts as unrecoverable when businesses fail and when individuals are sequestrated (made bankrupt). This Council only writes-off debts in exceptional circumstances but reinstates amounts owed regularly when further information becomes available.
Environment	None Identified		
Technology	None Identified		

7. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous Economy	Managing debt in accordance with the Council's Financial Regulations promotes good practice in the administration of local taxes and the economy by writing off debt that has become uncollectable.

This report does not impact on the design principles of Target Operating Model

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not Required
Privacy Impact Assessment	Not Required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. BACKGROUND PAPERS

None

10. APPENDICES (if applicable)

Appendix 1 – Council Tax Write Offs 2017/18

Appendix 2 – Housing Benefit Overpayments Write Offs 2017/18

Appendix 3 – Business Rates Write Offs 2017/18

Appendix 4 - Business Rates Write Offs 2017/18 over £25,000

11. REPORT AUTHOR CONTACT DETAILS

Wayne Connell
Revenues and Benefit Manager
waynec@aberdeencity.gov.uk
01224 346868