

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	City Growth and Resources
<b>DATE</b>	03 November 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Unrecoverable Debt
<b>REPORT NUMBER</b>	CUS/21/248
<b>DIRECTOR</b>	Andy MacDonald
<b>CHIEF OFFICER</b>	Jacqui McKenzie
<b>REPORT AUTHOR</b>	Wayne Connell
<b>TERMS OF REFERENCE</b>	1.1.13

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### 1. PURPOSE OF REPORT

- 1.1 To advise numbers and values of Council Tax, Non-Domestic Rates, Housing Benefit Overpayments, Penalty Charge Notices, Bus Lanes Enforcement Charge Notices and Council House Rent debts made unrecoverable during 2020/21 as required in terms of the Council's Financial Regulations.

### 2. RECOMMENDATION(S)

That the Committee: -

- 2.1 Note - the Financial Regulations number, value and reasons for debts written off for Council Tax, Non-Domestic Rates, Housing Benefit Overpayments, Penalty Charge Notices, Bus Lanes Enforcement Charge Notices and Council house rent during 2020/21.

### 3. BACKGROUND

- 3.1 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.
- 3.2 Despite a debt being deemed unrecoverable, should the debt become collectable, e.g., debtor subsequently located, the debt will be reinstated and pursued. Where a debt has been previously written off e.g., sequestration and a dividend from the Accountant in Bankruptcy is received, the write off amount will be adjusted accordingly.
- 3.3 The figures included within this report relate to those debts treated as unrecoverable during the financial year 2020/21. These figures include where write offs have been reinstated or adjusted.
- 3.4 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.

### **3.5 Council Tax:**

- 3.5.1 In total 10,022 debts were deemed unrecoverable by the Chief Officer - Finance and Chief Officer – Customer Experience with a value of £1,339,211.08. This is compared with the previous year where 10,449 debts were deemed unrecoverable with a net value of £1,197,166.61.
- 3.5.2 A breakdown over the years and reasons is shown in Appendix 1.

### **3.6 Housing Benefit Overpayments:**

- 3.6.1 In total 573 debts were deemed unrecoverable by the Chief Officer - Finance and Chief Officer – Customer Experience with a value of £158,435.57. This is compared with the previous year where 1,855 debts were deemed unrecoverable with a value of £281,704.08. Less overpayments were raised during 2020/21 accounting for a smaller amount required to be written off.
- 3.6.2 A breakdown of the reasons is shown in Appendix 2.

### **3.7 Non-Domestic Rates:**

- 3.7.1 There were no debts written off during 2020/21 for Non-Domestic Rates. This is due to the Non-Domestic Rates Team processing Business Support Grants and applying new Covid Reliefs to customers. All debts that are due to be written off will be actioned during 2021/22.

### **3.8 Penalty Charge Notices and Bus Lanes Enforcement Charge Notices**

- 3.8.1 The processing of Penalty Charge Notices and Bus Lanes Enforcement Charge Notices has been amended to write off fines rather than cancel where the debt is no longer collectable. This is as per an audit recommendation. For 2020/21 1,174 Penalty Charge Notices and Bus Lanes Enforcement Charge Notices with a value of £74,022 were deemed by the Chief Officer-Finance as unrecoverable during 2020/21.
- 3.8.2 A breakdown of the reasons is shown in Appendix 3.

### **3.9 Council House Rents**

- 3.9.1 The value of Council House Rent deemed by the Chief Officer – Early Intervention and Community Empowerment as unrecoverable during 2020/21 was £266,528.45. This is compared with the previous year where £171,006 was deemed unrecoverable.
- 3.9.2 A breakdown of the reasons is shown in Appendix 4.

## **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, Council Tax collected during 2020/21 (including water charges) was £158,709,524 (0.8% Write-Off). The total rent charged for Council Housing during 2020/21 was £84,975,023. 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

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
<b>Strategic Risk</b>	None Identified		
<b>Compliance</b>	Non-Compliance with Council's Financial Regulations and non-compliance with legal obligation to manage its financial affairs.	L	By writing off debts that are no longer collectable and reporting to committee compliance is met.
<b>Operational</b>	None Identified		
<b>Financial</b>	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.
<b>Reputational</b>	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.
<b>Environment / Climate</b>	None Identified		

## 7. OUTCOMES

7.1 The proposals in this report have no impact on the Council Delivery Plan'.

## 8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Not Required
Data Protection Impact Assessment	Not Required

## 9. BACKGROUND PAPERS

None

## 10. APPENDICES

Appendix 1 – Council Tax Write Offs 2020/21

Appendix 2 – Housing Benefit Overpayments Write Offs 2020/21

Appendix 3 – Penalty Charge Notices and Bus Lanes Enforcement Charge Notices 2020/21

Appendix 4 - Council House Rent 2020/21

## 11. REPORT AUTHOR CONTACT DETAILS

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