

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Finance And Resources
<b>DATE</b>	07 December 2022
<b>EXEMPT</b>	No - The report is not exempt but Appendix 6 of this report is exempt as per paragraph 6 of The Local Government (Access to Information) 1973 Act Schedule 7A.
<b>CONFIDENTIAL</b>	No – The report is not confidential but Appendix 6 of this report is confidential as it contains personal or sensitive personal information about a particular person(s), disclosure of which is likely to breach the terms of the UKGDPR
<b>REPORT TITLE</b>	Unrecoverable Debt
<b>REPORT NUMBER</b>	CUS/22/271
<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, Service Income and Council House Rent debts made unrecoverable during 2021/22 as required in terms of the Council's Financial Regulations and approve Non-Domestic Rates write offs in excess of £25,000.

### 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Approve the listing of the Non-Domestic Rates debts in excess of £25,000 shown in Appendix 6 as unrecoverable and instruct the Chief Officer - Customer to write them off; and
- 2.2 Note that 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, Service Income and Council house rent during 2021/22.

### 3. CURRENT SITUATION

- 3.1 The figures included within this report relate to those debts treated as unrecoverable during the financial year 2021/22. These figures include where write offs have been reinstated or adjusted.

- 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 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.
- 3.4 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.

#### Council Tax

- 3.5 In total 4,073 debts were deemed unrecoverable by the Chief Officer - Finance and Chief Officer – Customer Experience with a value of £690,304.43. This is compared with the previous year where 10,022 debts were deemed unrecoverable with a net value of £1,339,211.08. A breakdown over the years and reasons is shown in Appendix 1.

#### Housing Benefit Overpayments

- 3.6 In total 532 debts were deemed unrecoverable by the Chief Officer - Finance and Chief Officer – Customer Experience with a value of £142,924.19. This is compared with the previous year where 573 debts were deemed unrecoverable with a value of £158,435.57. A breakdown of the reasons is shown in Appendix 2.

#### Non-Domestic Rates

- 3.7 In total 199 debts were deemed unrecoverable by the Chief Officer - Finance and Chief Officer – Customer Experience with a value of £866,851.31. There were no debts written off during 2020/21 for Non-Domestic Rates. This was due to the Non-Domestic Rates Team processing Business Support Grants and applying new Covid Reliefs to customers. A breakdown of the reasons is shown in Appendix 3.
- 3.7.1 Appendix 6 shows 7 debts with values above £25,000 and reasons are shown. The Committee is asked to deem the value of £784,304.91 as unrecoverable (totals also included in Appendix 3).

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

- 3.8 In total 4,979 debts were deemed unrecoverable by the Chief Officer - Finance and Chief Officer – Customer Experience with a value of £266,270. This is compared with the previous year where 1,174 Penalty Charge Notices and Bus Lanes Enforcement Charge Notices with a value of £74,022 were deemed unrecoverable. The increase in write offs is due an audit recommendation to write off fines where the debt is no longer collectable rather than cancel. A cancelation is only now used where a fine should not have been issued. A breakdown of the reasons is shown in Appendix 4.

### Service Income

- 3.9 In total 7,839 debts were deemed unrecoverable by the Chief Officer - Finance and Chief Officer – Customer Experience with a value of £3,127,670,87.

### Council House Rents

- 3.10 The value of Council House Rent deemed by the Chief Officer – Early Intervention and Community Empowerment as unrecoverable during 2021/22 was £4,455,865.56. This is compared with the previous year where £266,528.45 was deemed unrecoverable. The increase in write offs is due to new ways of working and the identification of a large amount of debts to be written off due to no longer being able to legally pursue. A breakdown of the reasons is shown in Appendix 5.

## **4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications arising from the recommendations of this report as 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 2021/22 (including water charges) was £163,352,425 (0.82% Write-Off).
  - NDR collected during 2021/22 was £177,095,600 (0.51% Write Off)

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. ENVIRONMENTAL IMPLICATIONS**

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

## **7. RISK**

<b>Category</b>	<b>Risks</b>	<b>Primary Controls/Control Actions to achieve Target Risk Level</b>	<b>*Target Risk Level (L, M or H)</b>  <small>*taking into account controls/control actions</small>	<b>*Does Target Risk Level Match Appetite Set?</b>
<b>Strategic Risk</b>	No significant risks identified			

<b>Compliance</b>	Non-Compliance with Council's Financial Regulations and non-compliance with legal obligation to manage its financial affairs.	By writing off debts that are no longer collectable and reporting to committee compliance is met.	L	Yes
<b>Operational</b>	No significant risks identified			
<b>Financial</b>	Loss of income to the Council	The sums deemed as unrecoverable are fully provided for in terms of bad debt provision and debts are only written off where absolutely necessary.	L	Yes
<b>Reputational</b>	There is the possibility of a negative perception of the decision to write off debt due.	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 sequestered (made bankrupt). This Council only writes-off debts in exceptional circumstances but reinstates amounts owed regularly when further information becomes available.	L	Yes
<b>Environment / Climate</b>	No significant risks identified			

## 8. OUTCOMES

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

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Full impact assessment not required
Data Protection Impact Assessment	Not required

## 10. BACKGROUND PAPERS

10.1 None

## 11. APPENDICES

11.1 Appendix 1 Council Tax Write Offs 2021/22

Appendix 2 Housing Benefit Overpayments Write Offs 2021/22

Appendix 3 Non Domestic Rates Write Offs 2021/22

Appendix 4 Penalty Charge Notices and Bus Lanes Enforcement Charge Notices 2021/22

Appendix 5 Council House Rents 2021/22

Appendix 6 Non Domestic Rates Write Offs over £25,000 2021/22

## 12. REPORT AUTHOR CONTACT DETAILS

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