

CABINET

8 March 2022

WRITE OFF OF IRRECOVERABLE DEBTS

Report of the Portfolio Holder for Finance, Governance and Performance, Change and Transformation

Strategic Aim:	All	
Key Decision: No	Forward Plan Reference: FP/011021	
Exempt Information	Appendix A of this report contains exempt information and is not for publication in accordance with Part 1 of Schedule 12A of the Local Government Act 1972. Further details can be seen in paragraph 13.1 below	
Cabinet Member(s) Responsible:	Cllr K Payne, Portfolio Holder for Finance, Governance and Performance, Change and Transformation	
Contact Officer(s):	Saverio Della Rocca, Strategic Director for Resources (s.151 Officer)	01572 758159 sdrocca@rutland.gov.uk
	Andrea Grinney, Revenue and Benefits Manager	01572 758227 agrinney@rutland.gov.uk
Ward Councillors	Not Applicable -	

DECISION RECOMMENDATIONS

That Cabinet:

1. Notes the action taken to recover outstanding debts.
2. Approves the write off of the debts shown in Exempt Appendix A.

1 PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to seek approval to write off debts, over the value of £2,500, where officers believe that there is little or no prospect of recovering them.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 Overview

- 2.1.1 The Council collects council tax, business rates, overpaid housing benefit and

sundry debtor income. Every effort is made to collect all monies due by the most effective and appropriate method. This includes reminder letters, attachment of earnings and benefits, civil enforcement action and special arrangements to pay.

- 2.1.2 The Section 151 Officer (Director for Resources) has delegated authority to write off debts up to £2,500 and debts above that level are written off by Cabinet. Cabinet are being asked to write off debts of £80,265.49 which officers believe cannot be recovered.
- 2.1.3 The Council has a good track record of collecting debt and in the context of these collection rates, the level of proposed write off is relatively low. Current issues in relation to the type of debt are given below.
- 2.1.4 The Government introduced a new debt respite scheme called Breathing Space in 2020. In summary, debtors can apply for a standard 60 days breathing space or a mental health breathing space which lasts as long as the mental health crisis treatment plus 30 days. Detailed criteria apply for both. To date, the Council has received 18 standard cases and no mental health cases in 2020/21. The long term impact on collection rates has not yet been established but initial thoughts are that it will not have a significant impact.

2.2 Council Tax

- 2.2.1 The Council has above average collection rates. The national average for all councils in England and Wales is 95.7% for 2020/21. Our collection rates are typically around 97.8% in year. Both figures are lower than in previous years due to a combination of more support given to taxpayers through local council tax support and reduced recovery action being taken because of the Covid-19 pandemic. Our forecasted collection rate for 2021/22 is 98.4%.
- 2.2.2 There is one 'difficult to collect debt' with arrears totalling £6,583.98 where the statutory process has largely been exhausted. Officers are left with 3 choices: a) we monitor and continue to pursue as best we can; b) we write off the debt; c) we pursue committal action (but this can result in the debt being expunged if a prison sentence is given so this is only used as a last resort).
- 2.2.3 We are requesting write off of 4 debts totalling £7,337.42 where we are unable to trace the debtors, one case where the debtor has died totalling £8,148.08 and 2 debts amounting to £7,024.40 whereby the taxpayers have entered into an Individual Voluntary arrangement (IVA) with no prospect of any dividends being received.

2.3 Business Rates

- 2.3.1 The Council has above average collection rates, but Members should note that only c376 businesses (c20% of the businesses in Rutland) were required to pay the full charge in 2020/21 with many benefiting from reliefs. This has helped keep our collection rates high as most Small and Medium-sized Enterprises (SME) are not required to pay any rates.
- 2.3.2 One of our risk areas is around business failure or liquidation. In this event, we are a non-preferential creditor and as such we come below HM Revenues & Customs, employees' wages etc. as preferred creditors. In Rutland we regularly see new ventures struggling to stay in business and often close down. We are requesting

write off of eight cases that fall into this category totalling £36,010.11

- 2.3.3 We are requesting write off of 1 credit balances totalling £4,398.99 where the Rateable Value has been reduced retrospectively, but the company is no longer trading.

2.4 Sundry Debts

- 2.4.1 The Council raises on average £10m sundry invoices every year. There are two key types of sundry debt:

- a) Social care debtors
- b) Commercial rents

- 2.4.2 In terms of social care, people are often vulnerable i.e. have a learning disability, have dementia, are in and out of hospital. It is often difficult to contact the person to discuss payment of invoices and sometime family members have to take on managing the person's finances either informally or formally by Power of Attorney. If there are no family members or there are signs of financial abuse, we apply for Deputyship which takes a long time to obtain.

- 2.4.3 The process of recovering unpaid social care invoices is therefore not straightforward. It is a problem for many Councils. Currently we have 60 cases where there are debts outstanding of over 90 days old. These debts total £196k, of these:

- 23 debts are awaiting probate (£59k);
- 2 cases are waiting for the Court of Protection to award a deputyship order to enable RCC officers or family members to manage their finances (£44k); and
- 2 cases relate to a debtor who has been identified as vulnerable (£3.5k).

- 2.4.4 We are requesting write off of two debts totalling £24,077.52.

- 2.4.5 In terms of commercial rents, there are no debts to present for write off. Commercial tenants were given the opportunity to defer rental payments during the pandemic. Most tenants are now repaying debt and we have only one case where we believe there is a risk of non-recovery but repayments are being made. We have not reached write off stage in any cases.

3 CONSULTATION

- 3.1 Consultation is not required for any decision being sought in this report.

4 ALTERNATIVE OPTIONS

- 4.1 Cabinet could choose not to write off the debts but based on advice from officers this is not recommended.

5 FINANCIAL IMPLICATIONS

- 5.1 A bad debt provision is made for loss of collection for all debts and the provision is

sufficient to cover these write offs. When the provision is reset, any increase is charged to the Revenue Account.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

6.1 There are no legal and governance implications arising from this report.

7 DATA PROTECTION IMPLICATIONS

7.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons.

8 EQUALITY IMPACT ASSESSMENT

8.1 An Equality Impact Assessment questionnaire has not been completed as there are no specific issues arising from the write off of irrecoverable amounts.

9 COMMUNITY SAFETY IMPLICATIONS

9.1 There are no community safety implications arising from this report.

10 HEALTH AND WELLBEING IMPLICATIONS

10.1 There are no health and wellbeing implications arising from this report.

11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

11.1 There is no prospect of collecting the debts detailed in Appendix A; it is therefore prudent to write off the debts.

12 BACKGROUND PAPERS

12.1 There are no additional background papers to the report.

13 APPENDICES

13.1 Exempt Appendix A – Appendix A is marked as ‘Not For Publication’ because it contains exempt information as defined in paragraph 2 of Part 1 of 12A of the Local Government Act 1972, namely information that is likely to reveal the identity of an individual.

A Large Print Version of this Report is available upon request – Contact 01572 722577.