

TITLE OF REPORT: Council Tax and Non-Domestic Rates – Transfer of Uncollectable Amounts

REPORT OF: Darren Collins, Strategic Director, Resources and Digital

Purpose of the Report

1. This report asks Cabinet to approve the transfer of outstanding balances from Council Tax and Non-Domestic Rates (NDR) accounts, where all possible recovery action has been taken and the balances are now considered to be uncollectable.

Background

2. Council Tax and NDR charges are levied in accordance with statutory legislation. Under the localisation of Non-Domestic Rates Business Rates, a proportion of monies collected by the Council are retained locally to form part of the core funding of the Council.
3. Charges which remain unpaid are subject to appropriate recovery action. Despite this action there remain some debts, which are considered uncollectable.
4. The amounts, which have been identified as uncollectable are summarised at Appendix 1. These balances represent the full amount identified as uncollectable at the end of the financial year 2023-24.
5. The Council takes all of recovery action available by law to enforce payment of an outstanding amount before considering a debt for write off. There is an increase in levels of Council Tax debt on a national basis and whilst the amount of uncollectable debt will fluctuate year on year the expectation is that this will follow an upward trend. The Revenues team will work with residents who are unable to pay and will provide help and support which includes flexible payment plans, breathing space and other bespoke assistance as the circumstances may require. We also have a unique process to allow our staff to transfer a telephone call from a resident direct to the Citizens Advice Gateshead for specialist debt and other help and advice.
6. Where a balance remains unpaid the Council will then take further recovery action to enforce payment which will include the following:
 - Reminder Letter
 - Second Reminder Letter
 - Final Notice
 - Court Summons
 - Notice of Liability Order
 - Attachment of Earnings
 - Attachment of Benefit
 - Arrangement Reminder Letter (if an arrangement made was not maintained)

- Enforcement Agent Warning Letter
- Enforcement Agent Referral
- Bankruptcy Warning Letter
- Charging Orders

When all efforts to recover a balance have been exhausted the debt is assessed and then recommended for write off. Write offs are then checked by our internal Audit team ensuring recovery action is initiated and recorded promptly and is appropriate and supported by documentary evidence.

Proposal

7. It is proposed to transfer the balance of 1,419 accounts to the value of £1,824,068.25 for Council Tax and 107 accounts to the value of £940,521.03 for Non-Domestic Rates.
8. In addition to this, balances of £500.00 or less on 5,626 individual accounts totalling £435,827.80 in respect of Council Tax and 72 accounts totalling -£63,245.39 for Non-Domestic Rates, have been transferred under delegated powers in accordance with Financial Regulation 8.10. Additionally, whilst a debt may be written off; if circumstances change, such as a dividend being paid from the winding up of a business, a reduction in the valuation of a property, measures are taken to reinstate debt to account for any additional income being received. This is the case for the Non-Domestic Rate balances under £500 where the write off reversed exceeds the balance written off.
9. The total proposed transfer of uncollectable balances is therefore £2,259,896.05 in respect of Council Tax and £877,275.64 in respect of Non-Domestic Rates.

Recommendations

10. It is recommended that Cabinet agree to:
 - (i) The transfer of 1,419 uncollectable accounts in respect of Council Tax balances totalling £1,824,068.25.
 - (ii) The transfer of 107 uncollectable accounts of Non-Domestic Rates balances totalling £940,521.03.
 - (iii) Note the action taken under delegated powers to transfer Council Tax and Non-Domestic Rates accounts with balances of £500 or less identified in paragraph 8 of this report.

for the following reason(s)

- (i) To ensure the effective management of the Council's resources.
- (ii) To ensure that the Council Accounts accurately reflect the correct financial position.

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APPENDIX 1

Policy Context

1. The proposals in this report are consistent with Council priorities and in particular ensuring that effective use is made of Council resources to support the framework for “making Gateshead a place where everyone thrives”.
The Council is committed to taking all appropriate recovery action necessary before considering a debt for write off. This includes issuing recovery notices at the start of the recovery process, telephone and email engagement, and where necessary, legal service, court and enforcement action. Despite the Council’s best endeavours, it is inevitable that debt will not be collected and will ultimately have to be written off. The Councils financial policies ensure that an appropriate level of doubtful debt provision is maintained to finance these write offs.

Background

2. The transfer reflects Council Tax and Non-Domestic Rates accounts where the recovery process has been exhausted and it is no longer cost effective to pursue the cases through the court process.

Details of Debts Included in Transfer

The tables below give details of the reason and the year that the debt was created.

Council Tax

Year of Debit	Deceased	Insolvency	No Trace	Irrecoverable	Other	Total
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Pre 2020	20	35	123	1,540	1	1,719
2020/21	7	21	66	5	1	100
2021/22	8	39	109	8	1	165
2022/23	12	69	98	9	2	190
2023/24	4	54	21	4	2	85

Total	2,259
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- Other – includes 1p rounding’s, small balances and uneconomical to collect debts.
- Irrecoverable debts – procedures are in place to attempt to recover all outstanding debts which can extend over a number of financial years. There are cases when every possible recovery option has been attempted and there is no realistic prospect of collection based on an individual’s financial circumstances and therefore the debt is recommended for write off.

Non-Domestic Rates

Year of Debit	Insolvency/Dissolved	Bankruptcy	Unable to recover	Other	Total
	£'000's	£'000's	£'000's	£'000's	£'000's
Pre 2020	182	5	77	18	282
2020/21	49	0	13	2	64
2021/22	197	2	12	3	214
2022/23	196	4	3	1	204
2023/24	110	0	3	0	113
Total					877

- Other – includes 1p rounding's, small balances and uneconomical to collect debts.
- Irrecoverable debts – after all of our available recovery options have been exhausted, outstanding debts are reviewed to assess if there is a realistic prospect of collection based on the individual circumstance of the case, where there isn't the debt is recommended for write off.

Consultation

3. The Leader of the Council has been consulted on this report.

Alternative Options

4. No alternative options are proposed. A regular review of debt owed to the Council is an essential part of good recovery and accounting procedures.

Implications of Recommended Option

5. Resources:

- a) **Financial Implications** – The Strategic Director, Corporate Resources confirms that the cost of the transfer of £2,259,896.05 for Council Tax and £877,275.64 for Non-Domestic Rates can be met from the bad debt provision within the Collection Fund.
- b) **Human Resources Implications** – Nil
- c) **Property Implications** - Nil

Risk Management Implication - The transfers mitigate the risk of entries in the Council's statement of accounts being incorrect

6. **Equality and Diversity Implications** - Nil
7. **Crime and Disorder Implications** – Nil
8. **Health Implications** - Nil

9. Climate Emergency and Sustainability Implications - Nil

10. Human Rights Implications - Nil

11. Ward Implications - All Wards

12. Background Information: None