

Report to: **Lead Member for Resources and Climate Change**

Date: **28 March 2024**

By: **Chief Operating Officer**

Title of report: **Write-off of Debts**

Purpose of report: **To seek Lead Member approval for writing off certain debts in excess of £10,000.**

RECOMMENDATIONS:

The Lead Member for Resources and Climate Change is recommended to:

- 1) Approve the writing-off of 14 debts amounting to £234,600.66 in the Council's 2023/2024 accounts;**
- 2) Note that provision is made for bad and doubtful debts; and**
- 3) Note the current debt position and positive steps being put in place to make improvements.**

1. Background

Financial Appraisal

1.1 At Quarter 3, of 2023/2024, the County Council's net service budgets totalled £467.3m, after allowing for income of £541.8m. This income, after excluding Dedicated Schools Grant of £157.0m, comes from claims for specific grants and contributions from Government and other bodies as well as a variety of charges for services. This latter category includes charges for residential accommodation, domiciliary care, highways work, rents etc. Some of the income is received in cash or in advance of the service being provided, but much is collected by raising an account on the debtor.

1.2 As is the case for all local authorities, some of the Council's anticipated income becomes uncollectable. To allow for this the Council's accounts have always included a "provision for bad and doubtful debts" which recognises that a proportion of outstanding debts at year end may not be collected. This provision is monitored each month and is reported as part of budget monitoring. The approximate bad and doubtful debt provision for 2023/2024 is estimated to be £3.1m; the final figure for 2023-24 will be calculated in April 2024 and reported through the closedown arrangements.

1.3 The County Council is committed to taking all appropriate recovery action before considering a debt for write off to ensure that write-off is kept to a minimum. Work to review and streamline the debt recovery process is ongoing. Officers seek to learn lessons from debts that have previously been written off, and to ensure that there are robust systems and processes in place to recover debt promptly. However, it is inevitable that some debts will have to be written off. For the debt proposed for write-off in this report, despite efforts made to recover the outstanding sums, all routes have now been exhausted.

1.4 In cases where the County Council has been unable to enforce a County Court Judgment, notwithstanding any decision to write-off the debt, monies can theoretically still be recovered within six years of the judgment. With the permission of the court, this timeframe can extend beyond the six year limitation period where the debtor seeks credit and is required to discharge their debt to the Council before credit is advanced to them. Also, in cases of debtor liquidation, where a liquidator distributes the debtors assets to discharge outstanding liabilities, it is possible for the County

Council to receive some of the outstanding monies, notwithstanding any decision to write-off the debt.

1.5 In accordance with the Councils Financial Procedure Rules, for write-off debts over £10,000, approval of the Lead Member for Resources and Climate Change is required. This report is to advise the Lead Member of 14 debts over £10,000, totalling £234,600.66, that are recommended for write-off. In each case, all debt recovery actions have been exhausted, and it has been established that either the individual and/or estate has insufficient funds to repay their debts, or the business has gone into liquidation. A commercial debt, totalling £13,950.00, is detailed in Appendix 1 of this report. Details of the remaining 13 debts totalling £220,650.66 are detailed in Appendix 1 of an exempt report at a later agenda item.

1.6 The total amount proposed to be written-off for 2023/2024 is £606,330.80 including £371,370.14 worth of debts that, individually, amount to less than £10,000 and which have already been authorised in line with the Council's financial procedure rules. This is an increase of £224,383.63 when compared to the total written-off in 2022/2023 (£381,947.17). The value of debt to be written off, however, remains low, at 0.13% of the amount of income collected.

2. Supporting Information

2.1 The table attached at Appendix 2 shows performance over the last few years.

2.2 The level of outstanding debt has continued to increase during the last financial year. At Quarter 3 of 2023/24 the value of aged debt over 5 months was £6.596m which is an increase of £1.486m compared with the 2022/23 outturn position of £5.110m.

2.3 Adult Social Care (ASC) debt represents most of the Council's debt collection activity with £25m invoiced for client contribution as at 16 February 2024. £6.269m (95.04%) of aged debt over 5 months at Quarter 3 of 2023/24 relates to ASC.

2.4 In terms of benchmarking, ASC debt remains low relative to regional comparators, who have all seen a significant rise in outstanding debt. At Quarter 3 of 2023-24 East Sussex County Council has 14.35% of total social care debt (not subject to a deferred payment agreement) that is 60 days or more overdue as a percentage of total billed assessed fees and charges income, compared with the median for the South East region of 28.3%.

2.5 Debt recovery related to ASC client contributions can often take a long time due to circumstance of the debtors. For example, an ASC client may lack capacity to make decisions for themselves and an appointee, deputy or power of attorney therefore needs to be established, or the debt forms part of the administration of an estate.

2.6 There has also been increased levels of non-payment and contact from ASC clients advising they are suffering from financial hardship. The County Council is mindful of the pressures that individuals are facing due to the cost-of-living crisis and recognise that it is likely that this impact will continue in the coming year.

2.7 Recovery of debt continues to be a high priority. As part of ongoing improvement work a Debt Recovery Project has been initiated to review and improve the ASC debt recovery model. The objectives of the Debt Recovery Project are to ensure that service users understand and are supported to pay their assessed client contribution. This project is also focusing on establishing clear, visible pathways to support clients to pay their client contributions and to recover any debt that arises because of non-payment.

2.8 An ASC Debt Case Panel (the Panel), chaired by the Assistant Director of Operations, Adult Social Care has also been established. The Panel meets monthly to review complex and high value debt cases. The Panel makes decisions regarding appropriate next steps to recover debt with sensitivity and consideration of the clients or families concerned, and in accordance with the Care Act. In addition, the Panel has oversight of ageing debt cases to ensure that appropriate decisions are made before the six-year limitation period expires and to share good practice.

3. Conclusion and Reason for Recommendation

3.1 There is no prospect of recovering the fourteen outstanding debts listed and therefore it is recommended that the Lead Member for Resources and Climate Change:

- (i) Approves the write-off of these debts amounting to £234,600.66 in the Council's 2023/24 accounts;
- (ii) Notes that provision is made for bad and doubtful debts; and
- (iii) Notes the current debt position and positive steps being put in place to make improvements.

ROS PARKER
Chief Operating Officer

Contact Officer: Alina Dunn
Tel No. 01273 481250
Alina.Dunn@eastsussex.gov.uk

Background Documents
None