

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Council

24th May 2007

AUTHOR/S: Chief Executive / Head of Revenues

WRITE OFF OF OUTSTANDING DEBTS

Purpose

1. To notify Council of debts written off under powers delegated to the Portfolio Holder for Resources, Staffing, Information and Customer Services and the Chief Financial Officer as required by the Constitution

Background

2. The Council's Constitution sets out delegated authority to write off irrecoverable debts. Authority to write off debts in excess of £50,000 is reserved to Cabinet, while write offs below that level but exceeding £2,500 are delegated to the Portfolio Holder for Resources, Staffing, Information and Customer Services. Authority to write off debts of less than £2,500 is delegated to the Chief Financial Officer.

Considerations

3. Whilst collection rates for all charges are high there are inevitably cases where it proves impossible to collect outstanding amounts. These may be due to legal restrictions, such as in the case of insolvency or death, because the debtor has absconded and cannot be located, or because it is not economic to take further action in consideration of the amount of the debt and the particular circumstances.
4. All appropriate options to recover the debt are attempted before the debt is considered for write off.
5. Provisions for bad debt are made annually in the Council's accounts and it is generally recognised to be good accounting practice to write off debts as soon as possible once it has been established that collection is unlikely.
6. During the 2006/07 financial year there were no write offs in excess of £50,000 and authorisation was given to write off other amounts as shown in the first table. The amounts are expressed as a percentage of the 2006/07 collectible charge in the second table.

Table 1 – Value of debt written off

Type of Debt	Total Amount Authorised by	
	Portfolio Holder	Chief Financial Officer
Rent	£ 22,689.57	£39,258.82
Council Tax	£16,641.09	£126,583.35
Non-Domestic Rates	£147,119.35	£26,698.28
Sundry Debt	£41,935.80	£13,880.89
Benefit Overpayment	£30,121.12	£24,144.53
Mortgages	-	£200.00

Table 2 – Value of debt written off as a percentage of charge

Type of Debt	Amount as % of 2006/07 Collectible Charge	
	Portfolio Holder	Chief Financial Officer
Rent	0.11%	0.20%
Council Tax	0.03%	0.20%
Non-Domestic Rates	0.29%	0.05%
Sundry Debt	1.25%	0.47%
Benefit Overpayment	2.82%	2.26%
Mortgages	N/a	N/a

Table 3 – Number of debts written off

Type of Debt	Number of Debts Written Off	
	Portfolio Holder	Chief Financial Officer
Rent	8	67
Council Tax	12	418
Non-Domestic Rates	14	40
Sundry Debt	2	112
Benefit Overpayment	5	110
Mortgages	0	1

Notes

In addition to the number and amount shown in the tables, 170 small debit and credit balances of up to £10.00 were also written off Council Tax accounts. The net value was £774.76CR.

Implications

7.	Financial	See below
	Legal	<p>The Council has a statutory responsibility to collect certain charges such as Council Tax, Non-Domestic Rates, and overpayments of benefits, and must act reasonably in attempting to collect all money due. Other charges can be subject to legally binding contractual arrangement.</p> <p>In some situations, such as insolvency, the Council is precluded from recovering debts and obliged to write them off.</p> <p>Whilst not a legal requirement it is considered good accounting practice to write off bad debts as soon as it is evident that they are uncollectible.</p>
	Staffing	None
	Risk Management	Debts written off during the year are within the budgeted provisions and there are no risk management implications.
	Equal Opportunities	None

8. The financial implications vary dependant on the type of debt as outlined below.

(a) Council Tax

The write off of debts represents a loss of income to the Council's Collection Fund. An allowance of 0.5% for bad debt is made when setting the tax base used to calculate the level of Council Tax. If there is an overall deficit on the collection fund at the end of the financial year this is shared by all the major preceptors, the County Council, and Police and Fire Authorities. Effectively this means the Council's loss would be limited to approximately 8% of the actual amount written off, should there be an overall deficit on the Collection Fund.

(b) Rent

There is a direct loss of income to the Council's Housing Revenue Account. Bad debt allowances are set according to a statutory scale based on the value of individual debts.

(c) Business Rates

Debts written off are offset against the Council's contribution to the National Non-Domestic Rating Pool and are therefore borne by central Government.

(d) Sundry Debts

Write offs represent a direct loss of income to the Council's General Fund or Housing Revenue Account as appropriate.

(e) Overpayments of Housing Benefit

Whilst the write offs are a direct loss of income to the Council's General Fund, the Council still receives a subsidy from central Government in respect of the Housing Benefit paid in the majority of cases. The actual amount of subsidy varies depending on the reason for the overpayment.

Consultations

9. None

Effect on Annual Priorities and Corporate Objectives

10.	Quality, Accessible Services	There is the potential for service delivery to be adversely affected by poor revenue collection.
	Village Life	None
	Sustainability	None
	Partnership	None

Conclusions/Summary

11. The Council has improved collection rates over the last financial year and has maintained good accounting practice by regularly reviewing debts and writing them off where there is no likelihood of recovering them.

Recommendations

12. It is recommended that Council note the amounts written off under delegated powers.

Background Papers: the following background papers were used in the preparation of this report: None

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