

**Report To:** Council  
**Lead Officer:** Bob Palmer – Executive Director

16<sup>th</sup> May 2019

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## **WRITE OFF OF OUTSTANDING DEBTS**

### **Purpose**

1. To notify Council of debts written off under powers delegated to the Lead Cabinet Member for Finance and the Chief Financial Officer as required by the Constitution.
2. This is not a key decision; however, the Council's Constitution requires that an annual report regarding the use of delegated authority to write off debts be submitted to Council.

### **Recommendations**

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

### **Reasons for Recommendations**

4. The Council has excellent revenue collection rates and has maintained good accounting practice by regularly reviewing debts and writing them off where all appropriate options have been exhausted and there is no likelihood of recovery.

### **Background**

5. The Council's Constitution sets out delegated authority to write off irrecoverable debts. The Chief Financial Officer is authorised to approve the write off of debts up to level 2 (£25,000) and the Lead Cabinet Member for Finance to approve write offs in excess of that amount. The Chief Financial Officer has further delegated authority to write off irrecoverable debts below £25,000 to the Revenues Manager through the scheme of officer delegation.

### **Considerations**

6. Whilst the Council's revenue collection rates remain 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 financially viable to take further action in consideration of the amount of the debt and the particular circumstances.
7. All appropriate options to recover the debt are attempted before the debt is considered for write off.
8. 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.

9. The amounts written off as uncollectable in 2018/19 are detailed in Appendix A. The first table shows the total amounts, and these are expressed as a percentage of the total collectable debt for the year in table two. The third table shows the number of debts written off.
10. Appendix B provides a comparison to the figures from previous years. However, it is important to note that the amount of debt written off is not a clear indicator of collection performance for the year, nor can it be attributed to one specific cause. In many cases the debts written off were accrued in previous years.
11. For each debt type there are a range of recovery and enforcement options available, and it is only once the recovery process has been exhausted that writing off a debt becomes a consideration.
12. There are many different factors which may render a debt unrecoverable; absconders and bankruptcy tend to be the largest categories, although we must also recognise that there are some debts that may not be recoverable due to other reasons. The personal circumstances of a debtor may mean that the methods of recovery available to us may not be sufficient or indeed suitable. The debt recovery options available to us are not intended to be punitive, and there is a need to balance the effect and cost of recovery action against the likelihood of payment at all times.
13. As a result, there will always be fluctuations in both the number and value of write offs actioned in any financial year, and, with the exception of Housing Benefit Overpayments, the sums written off in 2018/19 account for less than 1% of the net amount collectable.

### **Options**

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

### **Implications**

16. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered: -

### ***Financial***

17. The financial implications vary, dependent upon the type of debt as outlined below.
18. Council Tax. The writing off of debts represents a loss of income to the Council's Collection Fund. An allowance for bad debt is made when setting the tax base used to calculate the level of Council Tax, and the amounts written off fall within this provision. Any adjustment for debt written off occurs within the Collection Fund prior to the apportionment of any surplus or deficit, and so the impact is shared. The proportionate share for South Cambridgeshire District Council is approximately 13%, or around £14,000.
19. Rent. There is a direct loss of income to the Council's Housing Revenue Account. Bad debt allowances are set according to a scale, based on the value of individual debts.
20. Business Rates. The write off of debts represents a loss of income to the Council's Collection Fund. An allowance for bad debt is made within the accounts, and the amounts written off fall within this provision. Any adjustment for debt written off occurs within the Collection Fund prior to the apportionment of any surplus or deficit, and so

the impact is shared. The proportionate share for South Cambridgeshire District Council equates to approximately 40%, or around £50,000.

21. Sundry Debts, Write offs represent a direct loss of income to the Council's General Fund or Housing Revenue Account as appropriate.
22. Overpayments of Housing Benefit & Local Council Tax Support. 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.

### ***Legal***

23. 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 arrangements. In some situations, such as insolvency, the Council is precluded from recovering debts and obliged to write them off.
24. 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 uncollectable.

### ***Risk Management***

25. Debts written off during the year are within the budgeted provisions and there are no risk management implications

### **Consultation responses (including from the Youth Council)**

26. None

### **Effect on Strategic Aims**

27. Efficient revenue collection with minimal levels of debts written off is essential to ensure that budgeted funding is available to enable the Council to provide services.

### **Background Papers**

Where [the Local Authorities \(Executive Arrangements\) \(Meetings and Access to Information\) \(England\) Regulations 2012](#) require documents to be open to inspection by members of the public, they must be available for inspection: -

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

**Report Author:** Katie Kelly – Revenues Manager  
Telephone: (01954) 713335

## APPENDIX A

**Table 1 – Value of debt written off**

Type of Debt	Total Amount Authorised by	
	Lead Cabinet Member	Revenues Manager
Rent	-	44,017
Council Tax	-	109,526
Non-Domestic Rates	-	126,535
Sundry Debt	-	107,664
Housing Benefit Overpayment	27,960	74,969
LCTS Overpayment*	-	4,639

\* Collectible overpayments of Local Council Tax Support are debited to Council Tax accounts.

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

Type of Debt	As % of 2018/19 Collectable Charge	
	Lead Cabinet Member	Revenues Manager
Rent	-	0.15%
Council Tax	-	0.09%
Non-Domestic Rates	-	0.14%
Sundry Debt	-	0.78%
Housing Benefit Overpayment	0.78%	2.10%
LCTS Overpayment*	-	-

\* As collectible overpayments of Local Council Tax Support are debited to Council Tax accounts, no overall figure of overpayment is recorded.

**Table 3 – Number of debts written off**

Type of Debt	Number of Debts Written Off	
	Lead Cabinet Member	Revenues Manager
Rent	-	166
Council Tax	-	251
Non-Domestic Rates	-	39
Sundry Debt	-	102
Housing Benefit Overpayment	1	158
LCTS Overpayment	-	48

## Appendix B – Previous Years figures

Type of Debt	Year							
	2017/18				2016/17			
	Auth'd by PFH	Auth'd by Revenues Manager	Value of Debt Written off as % of Charge	No. Of Debts	Auth'd by PFH	Auth'd by Revenues Manager	Value of Debt Written off as % of Charge	No. Of Debts
£	£	%		£	£	%		
Rent	-	27,036	0.19	91	-	54,560.25	0.19	110
Council Tax	-	125,715	0.12	316	-	194,902.54	0.19	510
Non-Domestic Rates	108,982	46,285	0.19	34	-	80,493.26	1.10	40
Sundry Debt	-	97,001	0.58	86	-	61,358.93	2.58	92
Housing Benefit Overpayment	-	128,972	3.8	157	-	112,655.72	3.5	223
Local Council Tax Support Overpayment	-	4,857	-	17	-	3,240.36	-	12