

Report to:	Council	26 th May 2022
Lead Cabinet Member:	Cllr John Williams	
Lead Officer:	Peter Maddock – Head of Finance	

The Writing Off of Outstanding Debt 2021-22

Executive Summary

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

Key Decision

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.

Details

5. The Council's Constitution sets out delegated authority to write off irrecoverable debts. The Chief Financial Officer is authorised to approve write offs of debts up to level 2 (£25,000) and the Lead Cabinet Member for Finance can 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 officer scheme of delegation.

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 total value of debts written off in 2021/22 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 most 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, and absconders and bankruptcy tend to be the largest categories. However, 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 recovery methods available to us may not be sufficient or indeed suitable. Debt recovery options are not intended to be punitive, and there is always a need to balance the effect and cost of recovery action against the likelihood of payment. As a result, it is expected that there will be fluctuations in both the number and value of write offs actioned in any financial year.
13. Previous year comparisons signal an increase in write offs in 2021/22 when reviewing against the prior year. However, recovery action was paused for a proportion of 2020/21 due to the Coronavirus pandemic and subsequent national restrictions, resulting in a lower volume of write offs in that year. Write off figures for 2021/22 show a slight reduction against 2019/20.
14. There was one debt subject to write off by the Lead Cabinet Member for Finance due the value being in excess of £25,000 in 2021/22. This was in respect of a fast food outlet which went into liquidation. The decision to write off was published on 27th May 2021.

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, equality and diversity, climate change, 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 £16,700.

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 £73,500.

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.

Risks/Opportunities

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

Alignment with Council Priority Areas

Growing local businesses and economies

26. 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.

Appendices

Appendix A: 2021/22 Write Offs by Debt Type

Appendix B: Previous Years Write Offs by Debt Type

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APPENDIX A

Table 1 – Value of debt written off

Type of Debt	Total Amount Authorised by	
	Lead Cabinet Member	Revenues Manager
Rent	-	28,491.55
Council Tax	-	128,876.30
Non-Domestic Rates	110,950.94	72,881.81
Sundry Debt	-	26,848.84
Housing Benefit Overpayment	-	58,110.52
LCTS Overpayment*	-	418.86

* 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 2021/22 Collectable Charge	
	Lead Cabinet Member	Revenues Manager
Rent	-	0.09
Council Tax	-	0.09
Non-Domestic Rates	0.12	0.08
Sundry Debt	-	0.14
Housing Benefit Overpayment	-	3.12
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	-	50
Council Tax	-	187
Non-Domestic Rates	1	13
Sundry Debt	-	22
Housing Benefit Overpayment	-	149
LCTS Overpayment	-	22

Appendix B – Previous Years figures

Type of Debt	Year							
	2020/21				2019/20			
	Auth'd by Lead Cabinet Member	Auth'd by Revenues Manager	Value of Debt Written off as % of Charge	No. Of Debts	Auth'd by Lead Cabinet Member	Auth'd by Revenues Manager	Value of Debt Written off as % of Charge	No. Of Debts
£	£	%		£	£	%		
Rent	-	3,572.13	0.01	15	-	3,689.07	0.13	24
Council Tax	-	64,631.21	0.05	135	-	128,886.59	0.11	218
Non-Domestic Rates	25,060.53	91,852.86	0.15	17	40,383.18	120,893.50	0.17	45
Sundry Debt	-	38,691.69	0.23	24	-	49,894.36	0.15	35
Housing Benefit Overpayment	-	60,456.23	2.54	150	-	116,326.33	4.2	92
Local Council Tax Support Overpayment	-	574.56	-	6	-	12,017.83	-	8