

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Council  
**AUTHOR/S:** Chief Executive / Head of Revenues

22 May 2008

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### WRITE OFF OF OUTSTANDING DEBTS

#### Purpose

1. To notify Council of debts written off under powers delegated to the Resources Portfolio Holder 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. Prior to October 2007 authority to write off debts in excess of £50,000 was reserved to Cabinet, whilst write offs below that level but exceeding £2,500 were delegated to the Resources Portfolio Holder. Authority to write off debts of less than £2,500 was delegated to the Chief Financial Officer.
3. The Council amended the Constitution from October 2007 to authorise the Chief Financial Officer to approve the write off of debts up to level 2 (£25,000) and the Resources Portfolio Holder to approve write offs in excess of that amount.
4. 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.

#### Considerations

5. Whilst the Council's revenue collection rates remain very 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.
6. All appropriate options to recover the debt are attempted before the debt is considered for write off.
7. 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.
8. During the 2007/08 financial year authorisation was given to write off amounts as shown in the first table. The amounts are expressed as a percentage of the 2007/08 collectible charges in the second table.

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

Type of Debt	Total Amount Authorised by	
	Portfolio Holder	Chief Financial Officer
Rent	£0	£82,939.27
Council Tax	£0	£133,537.25
Non-Domestic Rates	£161,727.37	£78,569.06
Sundry Debt	£0	£7,266.14
Benefit Overpayment	£0	£69,116.48

**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	0.0%	0.4%
Council Tax	0.0%	0.2%
Non-Domestic Rates	0.3%	0.1%
Sundry Debt	0.0%	0.2%
Benefit Overpayment	0.0%	6.0%

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

Type of Debt	Number of Debts Written Off	
	Portfolio Holder	Chief Financial Officer
Rent	0	115
Council Tax	0	273
Non-Domestic Rates	2	43
Sundry Debt	0	72
Benefit Overpayment	0	122

**Notes**

In addition to the amounts and numbers shown in the tables, 134 small debit and credit balances of up to £5.00 were written off Council Tax accounts and 18 written off Non-Domestic Rates accounts with net values of £67.33 and £8.27 respectively.

**Implications**

9.	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

10. 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**

11. None

**Effect on Corporate Objectives and Service Priorities**

12.	<p><b>Work in partnership to manage growth to benefit everyone in South Cambridgeshire now and in the future</b></p> <p>Partner organisation that place a precept on the Council Tax may see a loss of revenue in respect of irrecoverable debts written off if this results in a deficit on the collection fund.</p>
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<b>Deliver high quality services that represent best value and are accessible to all our community</b>
Loss of revenue through write off of uncollectible debts reduces the funding available to the Council to deliver services. A variety of easily accessible payment options are provided to residents, which encourages payment and contributes to high collection rates.
<b>Enhance quality of life and build a sustainable South Cambridgeshire where everyone is proud to live and work</b>
None

### **Conclusions/Summary**

13. The Council has very good revenue collection rates and has maintained good accounting practice by regularly reviewing debts and writing them off where there is no likelihood of recovering them.

### **Recommendations**

14. 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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