

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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

21 May 2009

WRITE OFF OF OUTSTANDING DEBTS

Purpose

1. To notify Council of debts written off under powers delegated to the Finance 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. The Chief Financial Officer is authorised to approve the write off of debts up to level 2 (£25,000) and the Finance Portfolio Holder to approve write offs in excess of that amount. The Chief Financial Officer has further delegated authority to write off irrecoverable debts below £2,500 to the Head of Accountancy through the scheme of officer delegation.
3. 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

4. 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 economic to take further action in consideration of the amount of the debt and the particular circumstances.
5. All appropriate options to recover the debt are attempted before the debt is considered for write off.
6. 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.
7. During the 2008/09 financial year authorisation was given to write off amounts as shown in the first table. The amounts are expressed as a percentage of the 2008/09 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	-	£36,473
Council Tax	-	£73,942
Non-Domestic Rates	£46,706.37	£130,614
Sundry Debt	-	£23,360
Housing Benefit Overpayment	-	£44,811
Council Tax Benefit Overpayment	-	£5,084

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

Type of Debt	As % of 2008/09 Collectible Charge	
	Portfolio Holder	Chief Financial Officer
Rent	-	0.17%
Council Tax	-	0.09%
Non-Domestic Rates	0.08%	0.22%
Sundry Debt	-	0.43%
Housing Benefit Overpayment	-	3.62%
Council Tax Benefit Overpayment	-	n/a*

* Collectible overpayments of Council Tax Benefit are debited to Council Tax accounts and therefore it is not representative to show the write off as a percentage.

Table 3 – Number of debts written off

Type of Debt	Number of Debts Written Off	
	Portfolio Holder	Chief Financial Officer
Rent	-	115
Council Tax	-	143
Non-Domestic Rates	1	47
Sundry Debt	-	104
Housing Benefit Overpayment	-	321
Council Tax Benefit Overpayment	-	13

Notes

In addition to the amounts and numbers shown in the tables, 216 small debit and credit balances of up to £10.00 were written off Council Tax accounts and 10 written off Non-Domestic Rates accounts with net values of £207.19CR and £31.65CR respectively.

Implications

8.	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

9. The financial implications vary dependant upon 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 and Council Tax 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

10. None

Effect on Strategic Aims

11.	Commitment to being a listening council, providing first class services accessible to all.
	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.
	Commitment to ensuring that South Cambridgeshire continues to be a safe and healthy place for all.
	As above
	Commitment to making South Cambridgeshire a place in which residents can feel proud to live.
	As above
	Commitment to assisting provision for local jobs for all.
	As above
	Commitment to providing a voice for rural life.
	As above

Conclusions/Summary

12. 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

13. 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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