



**Report To:** Council  
**Lead Officer:** Executive Director Corporate Services

5 June 2014

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## **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.
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 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.

### **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 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.

### **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 economic 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. During the 2013/14 year authorisation was given to write off amounts as shown in the first table. The amounts are expressed as a percentage of the 2013/14 collectible charges in the second table. Table 4 provides a comparison to previous years.
10. The number of write offs for Council Tax has increased this year. This is due to a process carried out at year end to write off debts under £10 which are considered to be uneconomical to pursue further. A total of £1,701.08 was written off through this process across 757 accounts. A similar exercise was also carried out against credits up to the value of £10 on closed accounts where credit bills had been issued but refunds not claimed. A total of -£689.47 was written off over 182 accounts.

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

Type of Debt	Total Amount Authorised by	
	Portfolio Holder	Chief Financial Officer
Rent	-	37,230.81
Council Tax	-	136,412.00
Non-Domestic Rates	500,007.34	91,786.00
Sundry Debt	-	31,266.40
Housing Benefit Overpayment	-	80,875.00
Council Tax Benefit Overpayment	-	13,266.40

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

Type of Debt	As % of 2013/14 Collectable Charge	
	Portfolio Holder	Chief Financial Officer
Rent	-	0.14%
Council Tax	-	0.15%
Non-Domestic Rates	0.72%	0.13%
Sundry Debt	-	0.48%
Housing Benefit Overpayment	-	3.28%
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	-	226
Council Tax	-	1198
Non-Domestic Rates	4	41
Sundry Debt	-	7
Housing Benefit Overpayment	-	121
Council Tax Benefit Overpayment	-	40

**Table 4 – Previous Years figures**

Type of Debt	Year							
	2011/12				2012/13			
	Auth'd by PFH	Auth'd by CFO	Value of Debt Written off as % of Charge	No. Of Debts	Auth'd by PFH	Auth'd by CFO	Value of Debt Written off as % of Charge	No. Of Debts
	£	£	%		£	£	%	
Rent	-	39,211.63	0.16	121	-	37,657.9	0.15	151
Council Tax	-	128,860.86	0.16	251	-	89,710.36	0.11	175
Non-Domestic Rates	-	257,247.44	0.40	59	361,169.12	138,301.51	0.21	54
Sundry Debt	-	29,759.31	0.61	72	-	60,824.24	1.24	72
Housing Benefit Overpayment	-	68,812.26	3.62	134	-	44,190.45	2.33	160
Council Tax Benefit Overpayment	-	4,818.15	N/A	16	-	7,133.68	N/A	27

## **Options**

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

## **Implications**

11. 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***

12. The financial implications vary, dependent upon the type of debt as outlined below.
- **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
  - **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.
  - **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. 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 Fire Authorities.
  - **Sundry Debts,** Write offs represent a direct loss of income to the Council's General Fund or Housing Revenue Account as appropriate.
  - **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***

13. 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. In some situations, such as insolvency, the Council is precluded from recovering debts and obliged to write them off.
14. 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***

15. 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)**

16. None

**Effect on Strategic Aims**

17. 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**

None

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