
Executive Member for Corporate Services

16 June 2009

Report of the Assistant Director (Customer Service & Governance)

BAD DEBT WRITE-OFF REPORT 2008/09

Summary

- 1 This report presents to the Executive Member for Corporate Services the irrecoverable accounts in respect of Council Tax (CT), National Non-Domestic Rates (NNDR), Sundry Debtors and Housing Benefit overpayment for write-off 2008/09. The last write-off report to come before members was in March 2008 for the 2007/08 year.

Background

- 2 The council's Constitution and supporting Financial Regulations delegates the responsibility for writing-off all individual debts in excess of £2K to the Executive Member for Corporate Services. The debts with individual values below this amount are written-off by the Chief Financial Officer (Director of Resources) under the officer Scheme of Delegation.
- 3 The council only writes off debt where it is irrecoverable for example where a customer has died, or a business is bankrupt. The only exception to this is where a debt is not cost effective to recover.
- 4 The council's debt recovery or collection rate for CT is in excess of 98% and puts York above the Unitary average of 96.7%. The collection rate for Sundry Debtor accounts is in excess of 99% with NNDR having a 97.5% collection rate, which is down slightly on 2007/08 (98%) but reflects the current economic conditions.
- 5 The council is prudent in managing bad debt and makes provision for this in its annual statement of accounts. This ensures that the writing off of bad debt has no detrimental affect on service provision or the council taxpayer. In the case of NNDR the Government meets the cost of writing off bad debt.

Debt to be written off 2008/09

- 6 Full details of accounts with individual values above £2K in respect of CT, NNDR, Sundry Debtors and Housing Benefit Overpayment are set out at the confidential Annexes A to D of this report respectively. The value of the accounts to be written off of this year is 27% lower (£431,875) than 2007/08. This reflects the good performance of the council's CT, NNDR and income teams in a year when the economic climate has had a detrimental affect on local businesses and customers alike. In addition to this a substantial amount of data cleansing has been carried out in advance of the implementation of the council's new financial management system increasing the number of bad debts identified for write off. Table 1 below shows a comparison between the 2008/09 and 2007/08 write off totals.

Table 1

Debt Write -Off Summary 2008/09				
Fund	Total Over £2K	Total Under £2K	Total	Totals 2007/08
National Non-Domestic Rates	£361,988	£29,394	£391,383	£826,835
Council Tax	£184,408	£247,059	£431,467	£458,477
Housing Benefit Overpayment	£28,408	£60,736	£89,144	£93,160
Sundry Debtors	£39,459	£177,313	£216,772	£182,168
Grand Total	£614,263	£514,503	£1,128,765	£1,560,640

- 7 The figures alone do not reflect the overall performance of the recovery teams. This can be more clearly demonstrated when the figures are compared to the value of debts raised. Although not all the debts written off are from the 2008/09 year, Table 2 below provides a much clearer picture of how successful the council has been in collecting outstanding debt with just a fraction been written off in most cases. A more detailed breakdown of the debt write off relating to each year, compared to the respective value of accounts raised is set out at Annex E.

Table 2

Percentage of Bills Written-Off Compared to Value Raised			
Fund	Value to be Written Off	Value of Bills Raised 08/09	% Of Bills Written-Off
National Non-Domestic Rates	£391,383	£72,519,000	0.54%
Council Tax	£431,467	£85,635,426	0.50%
Housing Benefit Overpayment	£89,144	£1,370,790	6.50%
Sundry Debtors	£216,772	£52,093,892	0.42%
Grand Total	£1,128,765	£211,619,108	0.53%

- 8 The council is continuing to develop and improve the efficiency of its debt collection and will be working with efficiency partners during 2009/10 to further improve its performance in the collection of both in year and prior year debt across all the income streams.

Consultation

9 No consultation was necessary in the production of this report.

Options

10 There are two options for the Executive Member for Corporate Services to consider in relation to this report. These are:

- i. to write off the over £2K accounts totalling £614,263;
- ii. to leave the accounts on the council's accounts.

Analysis

11 All analysis is contained in the annexes to this report.

Corporate Priorities

12 The effective and efficient management of income collection directly supports the corporate strategy objective of delivering an Effective Organisation. Improved income to the council also provides cross-cutting financial support in delivering all eight corporate objectives.

Implications

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- (a) **Financial** – The Assistant Director of Resources (Corporate Finance) has been consulted in relation to this report and has confirmed that there is adequate provision to meet the value of the accounts to be written off.
- (b) **Human Resources (HR)** - There are no implications
- (c) **Equalities** - There are no implications
- (d) **Legal** - There are no implications
- (e) **Crime and Disorder** - There are no implications
- (f) **Information Technology (IT)** - There are no implications
- (g) **Property** - There are no implications

Risk Management

14 If proper debt management and accounting procedures are not followed in the management and writing off of debt then the council could be criticised by the external auditor as part of the annual Use of Resources Assessment.

Recommendations

15 The Executive Member for Corporate Services is asked to:

- a) approve the write off of bad debt as set out at Table 1 above and in the detailed confidential annexes A – D attached to this report;

Reason

To remove irrecoverable bad debt from the council's accounts in accordance with accountancy best practice.

Contact Details

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Report Approved



Date 29.5.09

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

All

For further information please contact the author of the report

Background Papers

Write off Report 2007/08

Confidential Annexes

Annex A Council Tax Accounts Over £2K
Annex B NNDR Accounts Over £2K
Annex C Sundry Debtor Accounts Over £2K
Annex D Housing Benefit Accounts Over £2K

Non-Confidential Annex

Annex E Debt Write off by year account raised