

Executive Member for Corporate Services

1 February 2011

Report of the Assistant Director of Customer & Business Support Services (Head of Financial Services)

Bad Debt Write Off Report – Period October to December 2010

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 covering the period 1 October 2010 to 31 December 2010. The last write-off report was presented to the Executive Member for Corporate Services on 29 September 2010 for the period 1 July 2010 to 30 September 2010.

Background

- 2 The council's Constitution and supporting Financial Regulations delegate the responsibility for writing-off all individual debts up to and including £5k to Chief Officers in consultation with the Chief Financial Officer (CFO) under the officer scheme of delegation. Above this threshold debts are written-off in consultation with the Executive Member for Corporate Services. Any exceptional debts with an individual value above £200k may only be written off on the authority of the Executive.
- 3 The council only writes off debt where it is irrecoverable for example where a customer has died and has no assets, or a business is bankrupt and has no assets. As part of the process undertaken before a debt is written off in respect of a limited company in liquidation checks are undertaken to ensure the company is a registered limited company and a charge registered in respect of the outstanding debt. This process includes reference to the Companies House web-site which can also show if the company has registered at a new address. The only exception to this is where a debt is not cost effective to recover.
- 4 There are occasions where case law means the council is unable to pursue a debt following discharge from bankruptcy where Housing or Council Tax Benefit is involved. The precedent for this was set by the Court of Appeal (Balding CO/7636/2006).
- 5 The council's in year collection rate for CT (2009/10) was 97.5% compared to 97.19% (2008/09) and placed York above the Unitary average of 97%. There was a 98.3% collection rate in 2009/10 for

NNDR compared to 97.52% (2008/09) and placed York above the Unitary average of 97.4%. The total collection rate for Sundry Debtor accounts is in excess of 99%.

- 6 The council is prudent in managing bad debt and makes provision for them 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 as this is taken from the value collected before it is passed on to central Government ensuring no cost to the local taxpayer.

Debts with low payment arrangements

- 7 In some cases Court Orders made by the Court in respect of a debt instruct a low payment arrangement the level of which mean the debt will never be fully recovered in the lifetime of a debtor. As a result of this large debts can be carried on the council's bad debt provision, which will never be fully recovered. Annex D to this report recommends to the Executive Member for Corporate Services a prudent writing down process to follow with such debts. These cases are not written off and are regularly reviewed in case of a change in the customer's financial circumstances

Debt to be written off 1 October 2010- 31 December 2010

- 8 Details of accounts with individual values above £5k in respect of NNDR, Housing Benefit Overpayment and Sundry Debtors are set out at Annex A excluding any personal data, and in detail in confidential Annex B of this report respectively. The total value of the accounts to be written off this period is £256,648.89 and Table 1 below shows the value of accounts by each area of debt.

Table 1

Debt Write - Off Summary 1October 2010 – 31 December 2010			
Fund	Over £5000	Under & Inc £5000	Total
National Non-Domestic	110,444.07	13,701.36	124,145.43
Council	0	66,420.02	66,420.02
Housing Benefit	9,579.51	12,576.93	22,156.44
Sundry	20,480.28	23,446.72	43,927.00
Grand Total	140,503.86	116,145.03	256,648.89

- 9 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. A more detailed breakdown of the debt write off relating to each year from 2002/03, compared to the respective value of accounts raised is set out at Annex C.
- 10 The council is continuing to develop and improve the efficiency of its debt collection and is working with the 'More for York' programme

during 2010/11 to further improve its performance in the collection of both in year and prior year debt across all of the council's income streams.

Consultation

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

Options

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

- a) to write off the over £5k accounts totalling £140,503.86 in line with the council's Financial Regulations;
- b) to leave the accounts on the council's accounts, but acknowledging the risk of doing so as laid down in paragraph 14 below.

Analysis

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

Corporate Priorities

14 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 Customer & Business Support Services (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

- 16 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.

Recommendations

- 17 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 confidential annexe B attached to this report.

Reason

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

- b) approve the write down policy in respect of low payment arrangements (Paragraph 7)

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 6 January 2011

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 October 2010

Non-Confidential Annexes

Annex A - Accounts to be written off excluding personal data

Annex C - Debt Write off by year account raised

Annex D – Debt Write down procedure

Confidential Annexes

Annex B - NNDR, Housing Benefit Overpayment and Sundry Debtor Accounts
Over £5K