

PAPER NO.2

REPORT TO THE EXECUTIVE MEETING OF 29th JANUARY 2013

Status: Decision
Title: Bad Debt Write Off Report – Revenues and Benefits Service
Originator: Leigh Butler
Where from: Corporate Management Team (CMT)
Where to next: Executive

1 Purpose of Report

1.1 This report seeks approval to write off debts in respect of Council Tax and National Non Domestic Rates.

2 Recommendations:

2.1 **It is recommended that the total amounts for Council Tax £43,210.62 as listed in Appendix A, National Non Domestic Rates £857,095.87 as listed in Appendix B and Housing Benefit Overpayments £7,356.54 as listed in Appendix C be written off.**

3 Summary of Reasons for the Recommendations

3.1 The Council's Constitution and supporting Financial Regulations delegates the responsibility for writing off individual debts up to and including £1k to the Head of Financial Services under the scheme of delegation. Above this threshold debts (greater than £1k) are written off by the Executive.

3.2 Since the deletion of the post of Head of Financial Services this reverts to the Chief Finance Officer, who subsequently delegated this responsibility to the Finance Services Manager.

3.3 The Council only writes off debt where it is irrecoverable for example where a customer has died and there are no assets, or a business is bankrupt and has no assets. The only exception to this is where a debt is not cost effective to recover.

3.4 The council is prudent in managing debt and makes provision for then in its annual statement of accounts. This ensures that the writing of bad debt has no detrimental affect on service provision or the council taxpayer. In the case of

National Non Domestic Rates the Government meets the cost of writing off bad debt through the 'Pool arrangements'.

In view of the write off amounting to £757,030.05 as listed in appendix B we have revised our contribution to the pool this year to minimise any impact on cash flow for the Council.

3.5 Details of accounts with individual values above £1k in respect of National Non Domestic Rates, Council Tax, Housing Benefit overpayments and Sundry Debt are set out in appendices attached to this report.

3.6 The table below is for information on the amounts that have been written off for the period 1st April 2012 through to 12th December 2012.

Table 1

Debts Write Off Summary - Period 1st April through to 12th December 2012

Fund	Over £1k	Under 1k	Total
Council Tax	£160,590.48	£34,676.91	*£195,267.39
Non Domestic Rates	£87,022.15	-£5,276.71	*£81,745.44
Housing Benefit Overpayments	£4,591.26	£24.95	*£4,616.21
Grand Totals	£252,203.89	£29,425.15	£281,629.04

3.7 The following table is the position of debt raised this year including arrears position percentage terms for what has been written off as at 30th November 2012:

Position as at 30/11/2012	Net Charge raised in 2012/13	Arrears Position	Totals	Written off this year as a percentage
Council Tax (Net of Council Tax Benefit)	£46,454,766.29	£1,511,152.29	£47,965,918.58	0.4071%
Non Domestic Rates (Net of reliefs)	£35,348,572.82	£1,090,382.25	£36,438,955.07	0.2243%
Housing Benefit Overpayments	£594,973.56	£266,130.61	£861,104.17	0.5361%
	£82,398,312.67	£2,867,665.15	£85,265,977.82	

* Percentage calculated is the sum of net collectable debit and arrears when compared with table 1.

3.8 The following is the position relating to the Councils Bad Debt provision for as at 31st March 2012 and this is shown below

Council Tax	£549,630
Non Domestic Rates	£712,458
Housing Benefit Overpayments	£258,783

3.9 The following table is the position of what has been written off in 2011/12 and includes this as a percentage.

Debts Write Off Summary - Period 1st April 2011 to 31st March 2012

Fund	Net Amount Written Off	In Year Net Collectable Debit	Arrears Opening Position	As a percentage
Council Tax	£61,712.17	£45,796,783.48	£2,010,295.98	0.1290%
Non Domestic Rates	£383,723.94	£33,354,609.92	£952,353.95	1.1180%
Housing Benefit Overpayments	£6,687.16	£392,076.61	£296,244.80	0.971%
Grand Totals	£452,123.27	£79,543,470.01	£3,258,894.73	

3.10 The following table is the position on what has been written off for 2010/11, 2011/12 and position for 2012/13 for comparative purposes

Fund	Amount Written off		
	2010/11	2011/12	As at 30/11/2012
Council Tax	£118,821.81	£61,712.27	£195,267.39
Non Domestic Rates	£455,866.87	£383,273.94	£81,745.44
Housing Benefit Overpayments	£9,936.22	£6,687.16	£4,616.21

4 Impact on Communities

4.1 There will be no direct impact on the Community.

5 Key Facts

5.1 With the current economic climate, taxpayers will find it harder to pay local taxes such as Council Tax and Non Domestic Rates and as such, there may be an increase in the number of taxpayers who abscond with arrears left owing.

- 5.2 By not writing off bad debts efficiently, this can affect collection rates by inflating arrears figures.
- 5.2 With limited resources, it is not cost effective to spend the same amount of time tracing all levels of debt.

6 Legal Issues

- 6.1 Appendix B details a proposed write off of £757,000 which relates to a single company which has gone into receivership. The receiver has been appointed under the Law of Property Act 1925 and as such will not be deemed to have occupied the property. This restricts the ability to recover the unpaid amount from the receiver. As the original company has limited assets recovery will be difficult.

7 Resource Issues

- 7.1 There are no implications

8 Equality Impact Assessment Implications/Outcomes

- 8.1 There are none arising directly out of this report.

9 Impact on the Organisation

- 9.1 It is normal financial practice to ensure that the council is not carrying amounts that it has identified as irrecoverable through due process in its financial statements.

10 Community Safety Implications

- 10.1 None arising from this report.

11 Carbon Management Implications

- 11.1 None arising from this report.

12 Risk Management Implications

- 12.1 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'.

13 Consultation

- 13.1 No consultation was necessary in the production of this report.

14. Options Considered

- 14.1 None arising from this report.
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15. Background Papers

15.1 Council's Corporate Debt Policy.

**Previous report(s): Bad Debt Report – Revenues and Benefits Service dated
3rdth September 2012**

Information Issued Under Sensitive Issue Procedure: N

Ward Members Notified: N

Appendices:

Appendix A Council Tax Schedule of Write Offs

Appendix B Non Domestic Rates Schedule of Write Offs

Appendix C Housing Benefit Overpayments Schedule of Write Offs