

Dear Councillor

AUDIT COMMITTEE - THURSDAY, 31 MAY 2018

Please find attached, for consideration at the meeting of the Audit Committee on Thursday, 31 May 2018, the following reports that were unavailable when the agenda was printed.

Please bring this document with you to the meeting.

Agenda No Item

7. **Draft Annual Financial Report (Pages 1 - 12)**
 To receive the Draft Annual Financial Report.

8. **Final Accounts Bad Debts Write-Off 2017/18 (Pages 13 - 18)**
 To receive the Final Accounts Bad Debts Write-Off for 2017/18.

Yours sincerely

Andy Rogers
Committee Administrator

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DRAFT ANNUAL FINANCIAL REPORT 2017/18

1. Introduction

- 1.1 The Council's statutory Annual Financial Report, which includes 6 Statements of Account, will be presented to this Committee in July, after completion of the external audit (taking place throughout July). Prior to submission for audit, by the deadline of 31 May, it will be signed by the certified Responsible Financial (S151) Officer as complete and presenting the position of the Council, as at 31 March 2018.

2. Purpose of the Report

- 2.1 This report updates Members on progress to achieve the required timetable, to advise Members of key issues in the planned report and to seek Members approval for any changes to Accounting Policies (if applicable).

3. Statement of Accounts Position

- 3.1 The Council is required to include the following accounting statements within the Annual Financial Report:
- 1a) Comprehensive Income and Expenditure Statement
 - 1b) Expenditure and Funding Analysis (in NFDC management format)
 - 2) Movement in Reserves
 - 3) Balance Sheet
 - 4) Housing Revenue Account
 - 5a) Collection Fund – Council Tax
 - 5b) Collection Fund – Business Rates
 - 6) Cash Flow Statement
- 3.2 The draft Accounting Statements for 2017/18, prior to external audit, are set out in Appendices 1 – 6. The Expenditure and Funding Analysis Statement included as appendix 1b, is a supporting statement to the Comprehensive Income and Expenditure Statement.
- 3.3 The full Draft Unaudited Annual Financial Report will be made available on the Council's Website by the close of business on 31/05/18. Should any member of the Audit Committee wish to raise any queries on the statement before the July Committee meeting, the contact details for the Council's Head of Finance are included at the foot of this report.

4. Accounting Policy Changes and Other Key Issues

- 4.1 From 2017/18, Council Dwelling depreciation can no longer be matched to expenditure incurred under the Major Repairs Allowance (MRA). The revised policy requires dwellings to be depreciated using a compensation approach, taking into account the main elements of the building, including the substructure, roof, structure, windows, bathroom, kitchen and boiler. Each element is depreciated, taking into account the

expected average useful life, and the remaining average useful life. The depreciation charge can still be reversed to the MRA, and in effect utilised to offset the MRA expenditure.

- 4.2 There has been no requirement to change any other Accounting Policies for 2017/18.
- 4.3 Previous years' reports highlighted changes to the Business Rates Retention scheme that took place in April 2013 and the need for the Council to hold a provision for anticipated successful appeals against rating assessments. As at 1 April 2017 the total provision was £5.965 million, of which the Council's share totalled £2.386 million (40%). Table 1 confirms the movements in the provision during 2017/18, and the revised balances as at 31 March 2018:

Table 1	Total	NFDC
	£'000	£'000
Appeal Provision 1 April 2017	(5,965)	(2,386)
Additional Provisions Made 2017/18	(3,100)	(1,240)
Amounts Used 2017/18	650	260
Appeal Provision 31 March 2018	(8,415)	(3,366)

5. Summary of Financial Position

- 5.1 The Comprehensive Income and Expenditure Statement and Balance Sheet show the value of the Council's net worth to have increased by £2.551 million during 2017/18 (of which £1.132 million is usable as shown below). The principal reasons and the breakdown of this increase between the various reserves are summarised as follows:

	£'000		
Net Increase in PPE Assets	3,648		
Net Increase in Investment Property	2,162		
Increase in Long Term Investments and Debtors	883		
Asset Held for Sale	1,950		
Increase in Short Term Debtors	1,441		
Increase in Short Term Creditors	(3,201)		
Decrease in Long-Term Borrowing	4,301		
Increase in Provisions	(695)		
Increase in Pensions Liability	(8,368)		
Net Other	430		
	2,551		
		↙	↘
		Usable Reserves	Unusable Reserves
Earmarked Reserves	1,117	2,562	Revaluation Reserve
Capital Programme Reserve	333	7,053	Capital Adjustment Account
Capital Receipts Reserve	(1,646)	(180)	Available For Sale Financial Instruments Reserve
Community Infrastructure Levy Unapplied	1,503	(13)	Deferred Capital Receipts Reserve
Developers' Contributions Unapplied	(175)	(8,368)	Pensions Reserve
		352	Collection Fund Adjustment Account
		13	Accumulating Absences Adjustment Account
	1,132	1,419	

- 5.2 The increase in the value of PPE assets is principally down to Assets Under Construction, being the development of the Comptum and Sarum site into Social Housing, and the acquisition of Properties at Alexander Road, both of which are set to complete in 2018/19.
- 5.3 In 2017/18, the Council made its first acquisition of investment property for several years, in line with the strategy adopted in February 2017. The Fair Value of the asset is now included on the balance sheet (the significant part of the £2.162 million growth as shown above) and the income collected reflected in the Income and Expenditure statement.
- 5.4 The Council's Balance Sheet shows a net pension liability of £95.024 million, an increase of £8.368 million from 31 March 2017. Whilst this has a substantial impact on the net worth of the Council, as recorded in the Balance Sheet, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the scheme will be made good by increased contributions over the working lives of employees.
- 5.5 The 2017/18 original net budget requirement for the General Fund was £16.587 million, a decrease of £604,000 from 2016/17. The Council's budget anticipated utilising £938,000 from Reserves (principally to fund the anticipated ICT 'Protect and Maintain Frontline Services' programme) and provided for a £5 increase in Council Tax.
- 5.6 Net savings, efficiencies and improved income in Services in the year were £1.671 million, and Interest Earnings were £329,000 ahead of the original target. Retained business rates were £113,000 ahead of the original budget; this has been credited to the new Business Rates Equalisation Reserve (in line with the April Cabinet Financial Monitoring Report). Overall the net savings enabled a transfer into the Capital Programme Reserve of £1.593 million (a difference of £2.342 million from the £749,000 originally anticipated to be utilised from the Capital Reserve).
- 5.7 The Housing Revenue account surplus for 2017/18 was £1.812 million compared with an originally budgeted break-even position. This was mainly due to a change in the financing arrangements for Disabled Facilities Grants, and a reduced level of expenditure in Repairs & Maintenance and Supervision & Management budgets in comparison to the original budgets. The balance on the account as at 31 March 2018 was £1 million, after allowing for the transfer of £1.748 million to the earmarked Housing Acquisitions and Developments Reserve and £64,000 to the ICT Reserve. The budget for 2018/19 anticipates a break-even position for the year.
- 5.8 The original Capital Programme for 2017/18 (including the gross value of the Coastal Regional Monitoring Programme) was £21.266 million. This was initially supplemented by rephasings of £1.892 million from 2016/17. A review of the programme during the year increased the approved budget by £1.260 million to £24.418 million. The latest revised budget, only including the element of the Regional Monitoring Programme relevant to NFDC, was £22.737 million. Actual expenditure of £23.237 million was £500,000 more than the last approved budget, predominately in relation to the Housing Acquisition Programme.
- 5.9 The strategy to increase our longer term investments in a variety of pooled funds has continued in 2017/18. Interest earnings have increased to £820,000 in 2017/18 at an average yield of 1.02%, in comparison to £670,000 in 2016/17 (0.96%). The balance on the Available for Sale Financial Instrument reserve as at 31/03/18 is a credit of

£73,000, representing the net capital appreciation on the pooled fund investments since their acquisition (a reduction of £180,000 from the 31/03/17 balance).

6. Recommendations

- 6.1 That Members note the draft Accounting Statements set out in Appendices 1-6 which are a summary of the Annual Financial Report that will be certified by the Responsible Financial (S151) Officer for the submission to the external auditor by the deadline of 31 May.
- 6.2 That Members approve the revised depreciation policy applicable to Council Dwellings.

For Further Information Please Contact:

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17					2017/18		
Gross Expend £000	Gross Income £000	Net Expend £000		Note	Gross Expend £000	Gross Income £000	Net Expend £000
2,031	(646)	1,385	Community Affairs		2,064	(561)	1,503
14,497	(3,141)	11,356	Environment and Regulatory Services		12,650	(3,245)	9,405
46,447	(43,383)	3,064	Finance, Corporate Services and Improvement		44,309	(41,158)	3,151
4,017	(3,487)	530	Housing Services		5,255	(3,500)	1,755
64	0	64	Leader and Corporate Affairs		53	0	53
9,120	(6,784)	2,336	Leisure and Wellbeing		11,343	(7,368)	3,975
895	(556)	339	Local Economic Development, Property and Innovation		546	(405)	141
6,034	(4,934)	1,100	Planning and Infrastructure		6,696	(5,070)	1,626
83,105	(62,931)	20,174	General Fund		82,916	(61,307)	21,609
(16,279)	(28,028)	(44,307)	Housing Revenue Account		19,212	(28,389)	(9,177)
66,826	(90,959)	(24,133)	Cost of Services	5/6	102,128	(89,696)	12,432
			Other Operating Expenditure				
5,135			Town and Parish Council Precepts		5,469		
579			Payments to the Government Housing Capital Receipts Pool		574		
	(1,783)		(Gains)/Losses on the disposal of Non-Current Assets			(2,064)	
		3,931	Total Other Operating Expenditure				3,979
			Financing and Investment Income and Expenditure				
			Interest Payable and Similar Charges:				
40			- General Fund		35		
4,467			- HRA		4,466		
	(735)		Other Investment Income			(866)	
2,530			Net interest on the net defined benefit liability/(asset)	43	2,190		
	(300)		Income, expenditure and changes in the fair value of Investment Properties	13		(134)	
		6,002	Total Financing and Investment Income and Expenditure				5,691
			Taxation and Non-Specific Grant Income				
	(16,378)		Council Tax Income (incl. Parish precepts)			(17,150)	
	(4,624)		Non-Domestic Rates Income and Expenditure	45		(4,648)	
	(4,089)		Unringfenced Government Grants	45		(2,331)	
	(1,795)		Capital Grants and Contributions	45		(2,940)	
		(26,886)	Total Taxation and Non-Specific Grant Income				(27,069)
79,577	(120,663)	(41,086)	(Surplus)/Deficit on the Provision of Services		114,862	(119,829)	(4,967)
	(12,657)		(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets			(2,684)	
	(113)		(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets			180	
7,370			Re-measurement of the defined benefit liability/(asset)	43	4,920		
		(5,400)	Other Comprehensive Income and Expenditure				2,416
		(46,486)	Total Comprehensive Income and Expenditure	5/6			(2,551)

Total Comprehensive Income and Expenditure has moved by £43.935 million between 2016/17 and 2017/18. The reasons for this are detailed in Note 7.

Mr A Bethune FCCA – Responsible Financial (s151) Officer

31 May 2018

EXPENDITURE AND FUNDING ANALYSIS
(supporting note to the Comprehensive Income and Expenditure Statement)

	Income and Expenditure chargeable to the General Fund and HRA	Adjustments between the Funding and Accounting Basis	Net Expenditure for the equivalent amounts in the Comprehensive Income and Expenditure State
	£000	£000	£000
2017/18:			
Community Affairs	1,284	219	1,503
Environment and Regulatory Services	7,999	1,406	9,405
Finance, Corporate Services and Improvement	4,448	(1,297)	3,151
Housing Services	1,491	264	1,755
Leader and Corporate Affairs	49	4	53
Leisure and Wellbeing	2,098	1,877	3,975
Local Economic Development, Property and Innovation	43	98	141
Planning and Infrastructure	989	637	1,626
General Fund	18,401	3,208	21,609
Housing Revenue Account	(12,642)	3,465	(9,177)
Cost of Services	5,759	6,673	12,432
Total Other Operating Expenditure	5,469	(1,490)	3,979
Total Financing and Investment Income and Expenditure	3,636	2,055	5,691
Total Taxation and Non-Specific Grant Income	(24,129)	(2,940)	(27,069)
(Surplus)/Deficit on the Provision of Services	(9,265)	4,298	(4,967)
Other Comprehensive Income and Expenditure	7,815	(5,399)	2,416
Total Comprehensive Income and Expenditure	(1,450)	(1,101)	(2,551)
Opening General Fund and HRA Balances	(4,000)		
Less Deficit/(Surplus) on General Fund and HRA in Year	(1,450)		
Transfer to/ (from) Earmarked Reserves	1,450		
Closing General Fund and HRA Balances	(4,000)		
2016/17:			
Community Affairs	1,263	122	1,385
Environment and Regulatory Services	9,134	2,224	11,358
Finance, Corporate Services and Improvement	4,306	(1,242)	3,064
Housing Services	375	154	529
Leader and Corporate Affairs	60	4	64
Leisure and Wellbeing	1,984	351	2,335
Local Economic Development, Property and Innovation	162	176	338
Planning and Infrastructure	772	329	1,101
General Fund	18,056	2,118	20,174
Housing Revenue Account	(13,725)	(30,582)	(44,307)
Cost of Services	4,331	(28,464)	(24,133)
Total Other Operating Expenditure	5,135	(1,204)	3,931
Total Financing and Investment Income and Expenditure	3,772	2,230	6,002
Total Taxation and Non-Specific Grant Income	(25,091)	(1,795)	(26,886)
(Surplus)/Deficit on the Provision of Services	(11,853)	(29,233)	(41,086)
Other Comprehensive Income and Expenditure	5,288	(10,688)	(5,400)
Total Comprehensive Income and Expenditure	(6,565)	(39,921)	(46,486)
Opening General Fund and HRA Balances	(4,043)		
Less Deficit/(Surplus) on General Fund and HRA in Year	(6,565)		
Transfer to/ (from) Earmarked Reserves	6,608		
Closing General Fund and HRA Balances	(4,000)		

See Note 6 for further analysis

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund / HRA Reserves	Housing Revenue Account	Capital Programme Reserve	Capital Receipts Reserve	Community Infrastructure Levy Unapplied	Developers' Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000		£000	£000	£000	
Balance at 31 March 2016	(3,000)	(20,455)	(1,043)	(9,739)	(7,372)	(267)	(3,048)	(44,924)	(171,983)	(216,907)
Movement in reserves during 2016/17										
(Surplus)/deficit on the provision of services	297	0	(41,383)	0	0	0	0	(41,086)	0	(41,086)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(5,400)	(5,400)
Total Comprehensive Income and Expenditure	297	0	(41,383)	0	0	0	0	(41,086)	(5,400)	(46,486)
Adjustments between accounting basis and funding basis under regulations (note 9)	(2,687)	0	37,208	0	(189)	(507)	(216)	33,609	(33,609)	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	(2,390)	0	(4,175)	0	(189)	(507)	(216)	(7,477)	(39,009)	(46,486)
Transfers to/(from) earmarked reserves (notes 10/11)	2,390	(4,271)	4,218	(2,337)	0	0	0	0	0	0
(Increase) / Decrease in Year	0	(4,271)	43	(2,337)	(189)	(507)	(216)	(7,477)	(39,009)	(46,486)
Balance at 31 March 2017	(3,000)	(24,726)	(1,000)	(12,076)	(7,561)	(774)	(3,264)	(52,401)	(210,992)	(263,393)
Movement in reserves during 2017/18										
(Surplus)/deficit on the provision of services	1,303	0	(6,270)	0	0	0	0	(4,967)	0	(4,967)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	2,416	2,416
Total Comprehensive Income and Expenditure	1,303	0	(6,270)	0	0	0	0	(4,967)	2,416	(2,551)
Adjustments between accounting basis and funding basis under regulations (note 9)	(941)	0	4,458	0	1,646	(1,503)	175	3,835	(3,835)	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	362	0	(1,812)	0	1,646	(1,503)	175	(1,132)	(1,419)	(2,551)
Transfers to/(from) earmarked reserves (notes 10/11)	(362)	(1,117)	1,812	(333)	0	0	0	0	0	0
(Increase) / Decrease in Year	0	(1,117)	0	(333)	1,646	(1,503)	175	(1,132)	(1,419)	(2,551)
Balance at 31 March 2018	(3,000)	(25,843)	(1,000)	(12,409)	(5,915)	(2,277)	(3,089)	(53,533)	(212,411)	(265,944)

BALANCE SHEET AS AT 31 MARCH

2016/17			2017/18	
£000	£000	Notes	£000	£000
		Long-Term Assets		
		Property, Plant and Equipment:		
367,521		Council Dwellings	12	366,652
65,932		Other Land and Buildings	12	67,298
3,926		Vehicles, Plant and Equipment	12	4,378
4,394		Infrastructure	12	4,047
0	441,773	Assets Under Construction	12	3,046
	2,533	Investment Property	13	4,695
	20,074	Long-Term Investments	14	21,180
	1,787	Long-Term Debtors	15	1,564
	466,167	Total Long-Term Assets		472,860
		Current Assets		
0		Assets Held For Sale - Property	55	1,950
29,459		Short-Term Investments	16	36,731
371		Inventories	17	340
9,795		Short-Term Debtors	18	11,236
(2,238)		Bad Debt Provision	18	(2,447)
11,850		Cash and Cash Equivalents	19	4,552
	49,237	Total Current Assets		52,362
	515,404	Total Assets		525,222
		Current Liabilities		
(4,351)		Short-Term Borrowing	20	(4,350)
(16,540)		Short-Term Creditors	21	(19,741)
(50)		Developers' Contributions - Receipts in Advance	22	(127)
	(20,941)	Total Current Liabilities		(24,218)
		Long-Term Liabilities		
(139,808)		Long-Term Borrowing	23	(135,507)
(2,913)		Provisions	24	(3,608)
(341)		Capital Grants - Receipts in Advance	25	(133)
(1,352)		Developers' Contributions - Receipts in Advance	26	(788)
(86,656)		Net Pensions Liability	43	(95,024)
	(231,070)	Total Long-Term Liabilities		(235,060)
	263,393	Net Assets		265,944
		Usable Reserves		
3,000		General Fund Balance		3,000
24,726		Earmarked Reserves	10	25,843
1,000		Housing Revenue Account Balance		1,000
12,076		Capital Programme Reserve	11	12,409
7,561		Capital Receipts Reserve	27	5,915
774		Community Infrastructure Levy Unapplied	28	2,277
3,264	52,401	Developers' Contributions Unapplied	28	3,089
		Unusable Reserves		
33,537		Revaluation Reserve	29	36,099
262,914		Capital Adjustment Account	30	269,967
253		Available For Sale Financial Instruments Reserve	31	73
567		Deferred Capital Receipts Reserve	32	554
(86,656)		Pensions Reserve	33	(95,024)
594		Collection Fund Adjustment Account	34	946
(217)	210,992	Accumulating Absences Adjustment Account	38	(204)
	263,393	Total Reserves		265,944

**HOUSING REVENUE ACCOUNT
INCOME AND EXPENDITURE STATEMENT**

2016/17		Notes	2017/18
£000			£000
	Income		
(26,286)	Dwelling rents		(25,991)
(721)	Non-dwelling rents		(758)
(743)	Charges for services and facilities		(734)
(279)	Contributions towards expenditure		(906)
(28,029)			(28,389)
	Expenditure		
4,236	Repairs and maintenance	3	4,323
4,633	Supervision and management		5,088
43	Rents, rates, taxes and other charges		34
(25,349)	Depreciation, impairment and revaluation of non-current assets	4	9,541
17	Debt Management Costs		18
66	Movement in the allowance for bad debts		132
(16,354)			19,136
(44,383)	Net Income of HRA Services as included in the Comprehensive Income and Expenditure Statement		(9,253)
76	HRA services' share of Corporate and Democratic Core		76
(44,307)	Net Income for HRA Services		(9,177)
	HRA share of the Operating Income and Expenditure included in the whole authority Comprehensive Income and Expenditure Statement		
(1,638)	(Gain) / Loss on sale of HRA non-current assets		(1,754)
4,467	Interest payable and similar charges		4,466
(90)	Interest and investment income		(102)
477	Net interest on the net defined benefit liability / (asset)	5	386
(13)	Income and expenditure in relation to investment properties and changes in their fair value		(13)
(279)	Capital Grants and Contributions Receivable		(76)
(41,383)	(Surplus) or Deficit for the year on HRA services		(6,270)

COLLECTION FUND – COUNCIL TAX

The Council collects council tax for its own spending needs and on behalf of Hampshire County Council, Police and Crime Commissioner for Hampshire, Hampshire Fire and Rescue Authority and local town and parish councils.

2016/17			2017/18	
£000	£000		£000	£000
	(108,437)	Income		
		Income from Council Tax		(114,098)
		Transfers to / (from) General Fund:		
(4)		Flood Relief	(3)	
(50)		Family Annex Relief	(57)	
1	(53)	Transitional Relief	0	(60)
	(108,490)	Total Income		(114,158)
		Expenditure		
		Precepts:		
75,153		Hampshire County Council	79,493	
11,173		Police and Crime Commissioner for Hampshire	11,608	
4,359		Hampshire Fire And Rescue Authority	4,479	
16,162		New Forest District Council (including town and parish council requirements)	16,930	
	106,847			112,510
		Bad and Doubtful Debts		
208		Write-offs	126	
7	215	Increase / (decrease) in provisions	57	183
		Contributions:		
	928	Previous year's estimated council tax surplus		1,418
	107,990	Total Expenditure		114,111
	(500)	Movement on fund balance		(47)
(963)		(Surplus) / Deficit at 1 April		(1,463)
(500)		Movement on fund balance for year		(47)
	(1,463)	(Surplus) / Deficit at 31 March		(1,510)

COLLECTION FUND – BUSINESS RATES

The Council collects business rates for its own spending needs and on behalf of the Government, Hampshire County Council and Hampshire Fire and Rescue Authority.

2016/17			2017/18	
£000	£000		£000	£000
		Income		
	(61,495)	Income collectable from Business Ratepayers Current System		(65,951)
	(36)	Transitional Protection Payments		(987)
	(61,531)	Total Income		(66,938)
		Expenditure		
32,806		Payments to DCLG - Business Rates Retention	31,999	
26,245		New Forest District Council	25,599	
5,905		Hampshire County Council	5,760	
656		Hampshire Fire And Rescue Authority	640	
282		Costs of Collection	278	
25		NFDC - Renewable Energy Schemes	12	
	65,919			64,288
		Bad and Doubtful Debts		
228		Write-offs	318	
66		Increase / (decrease) in provisions	(118)	
(6,060)		Appeals Provision	2,450	
	(5,766)			2,650
	(927)	Contributions: Previous year's estimated business rates deficit		(864)
	59,226	Total Expenditure		66,074
	(2,305)	Movement on fund balance		(864)
	1,372	(Surplus) / Deficit at 1 April		(933)
	(2,305)	Movement on fund balance for year		(864)
	(933)	(Surplus) / Deficit at 31 March		(1,797)

CASH FLOW STATEMENT

2016/17			2017/18
£000		Notes	£000
(41,086)	Net (surplus) or deficit on the provision of services		(4,967)
21,026	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	(15,541)
5,083	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	35	4,683
(14,977)	Net cash flows from Operating Activities		(15,825)
16,997	Investing Activities	36	21,360
(1,429)	Financing Activities	37	1,763
591	Net (increase) or decrease in cash and cash equivalents		7,298
(12,441)	Cash and cash equivalents at the beginning of the reporting period		(11,850)
(11,850)	Cash and cash equivalents at the end of the reporting period	19	(4,552)

AUDIT COMMITTEE – 31 MAY 2018

FINAL ACCOUNTS 2017/18 BAD DEBTS WRITE OFF

1. INTRODUCTION

- 1.1 This report informs Members of the total bad debts written off during the financial year 2017/18.
- 1.2 It is Council policy to take all practical steps to recover debts. The Council's accounting systems provide automated recovery procedures for the collection of the debts, followed where applicable, by court action.
- 1.3 This report is prepared in accordance with the Code of Practice for write offs approved by Cabinet.

2. WRITE OFFS

- 2.1 Debts have been written off in the following services;
 - Council Tax
 - National Non Domestic Rates (NNDR)
 - Overpaid Housing Benefit
 - Accounts Receivable
 - Housing and Garage Rents
 - Parking Penalty Charges
 - Stores
- 2.2. Criteria for write off included:
 - Abscond
 - Liquidations and bankruptcies
 - Deceased
 - Small balances
 - Enforcement Agent unable to collect/levy
 - Foreign Vehicles
 - Obsolete items
- 2.3 The total bad debt write off for 2017/18 was £704,450 (2016/17 £780,398). This represents 0.27% of the total income collected.
- 2.4 The total written off by service is detailed in Appendix 1 (A comparison for values written off during 2016/17 is detailed in Appendix 2). The appendix also includes the average value of accounts written off, the write off as a percentage of annual income collected and examples of write offs criteria.

- 2.5 The table below details the service and the value of write ons i.e. write back of credit balances made during the 2017/18 year, together with comparative figures for 2016/17.

CATEGORY OF DEBT	2017/18 £	2016/17 £
COUNCIL TAX	6,945	17,998
NNDR	1,788	20,170
HOUSING BENEFIT incl. OVERPAID INVOICES	2,103	721
ACCOUNTS RECEIVABLE	60	2,744
HOUSING AND GARAGE RENTS	7,389	1,151
PARKING PENALTY CHARGES	Nil	Nil
STORES	Nil	Nil

- 2.6 Write ons are credited back where debtors have overpaid and they cannot be traced. All reasonable avenues are explored prior to the credit being written back on.

3. BAD DEBT PROVISION

- 3.1 The Council has made allowances for doubtful debts in the accounts based on what it believes to be a prudent but realistic level. For 2017/18, the NFDC provision is £2.447m (£2.238m in 2016/17).
- 3.2 The total provision made for each type of bad debt write off and the total arrears as at 31 March 2018 is also shown in Appendix 1. Members should note, the total provision figures within Appendix 1 include the NFDC provision as outlined above, plus collection fund provisions which relate to other organisations (i.e. HCC).

4. AUTHORITY TO APPROVE

- 4.1 Service Managers have authority to approve write offs up to certain limits and the Council's statutory financial officer has authority to approve write offs of any limit, in accordance with the Code of Practice approved by Cabinet. Details of the approval limits are shown in Appendix 3.

5. RECOMMENDATIONS

- 5.1 That this report be noted.

For Further Information Please Contact:

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Background Papers;

Accountancy Working papers

APPENDIX 1 CATEGORIES OF WRITE OFFS 2017/18								
Category of Debt	Total Write Off £	Number of Accounts	Average value of Account Written Off £	Annual Income / Turnover £	Provision Made 31/3/2018 £	Arrears Balance as at 31/3/2018 £	Write Off as % of Turnover	Reason for Write Off
Council Tax	144,450	574	252	114,098,000	1,165,090	2,768,000	0.1	Abscond, bankruptcy, debt relief order, deceased, no goods on which to levy, other, small balance.
NNDR	322,393	61	5285	65,951,000	329,000	1,134,000	0.5	Abscond, bankruptcy, no goods on which to levy, other, small balance.
Housing Benefit incl Overpaid Invoices	74,110	270	274	39,646,000	810,760	1,192,000	0.2	Abscond, bankruptcy, debt relief order, collection, deceased, Local Authority/DWP error, small balance.
Accounts Receivable	52,021	140	372	7,624,000	881,860	2,130,000	0.7	Abscond, bankruptcy, deceased, small balance, uneconomical to pursue.
Housing and Garage Rents	81,800	153	535	28,793,000	437,000	639,000	0.3	Abscond, deceased, debt relief order, small balance, unable to collect, uneconomic.
Parking Penalty Charges	28,888	452	64	3,073,000			0.9	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, foreign vehicle.
Stores	788							Picking errors.
Total	704,450	1,650		259,185,000				

APPENDIX 2 CATEGORIES OF WRITE OFFS 2016/17

Category of Debt	Total Write Off £	Number of Accounts	Average value of Account Written Off £	Annual Income / Turnover £	Provision Made 31/3/2017 £	Arrears Balance as at 31/3/2017 £	Write Off as % of Turnover	Reason for Write Off
Council Tax	247,653	859	288	108,437,000	1,148,700	2,704,000	0.2	Abscond, bankruptcy, debt relief order, deceased, no goods on which to levy, other, small balance.
NNDR	252,791	86	2939	61,495,000	447,000	1,220,000	0.4	Abscond, bankruptcy, deceased, no goods on which to levy, other, small balance.
Housing Benefit incl Overpaid Invoices	52,631	198	266	43,159,000	693,230	1,000,000	0.1	Abscond, bankruptcy, debt relief order, collection agency unable to collect, deceased, Local Authority/DWP error, small balance.
Accounts Receivable	64,823	227	286	6,684,000	523,490	1,697,000	1.0	Abscond, bankruptcy, deceased, over 6 years old, small balance, uneconomical to pursue.
Housing and Garage Rents	148,662	323	460	29,061,000	380,000	572,000	0.5	Abscond, bankruptcy or debt relief order, collection agency unable to collect, deceased, small balance
Parking Penalty Charges	13,778	190	73	2,970,000	-	-	0.5	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, foreign vehicle.
Stores	60							Picking errors, products past use-by date.
Total	780,398	1,883		251,806,000				

SERVICE AREA	SERVICE MANAGER RESPONSIBLE	WRITE OFF / ON CRITERIA	UPPER £ LIMIT PER DEBTOR
Council Tax	Housing & Community	Bankruptcy/Debt relief order Abscond Small Balance (up to £500) Deceased Bailiff unable to collect/no goods on which to levy	£3,500
Business Rates	Housing & Community	Bankruptcy/Liquidation/Indiv vol agreement Abscond Small Balance (up to £500) Deceased Bailiff unable to collect/no goods on which to levy	£3,500
Housing Benefit (including Fraudulent cases)	Housing & Community	Bankruptcy/Debt relief order Abscond Small Balance (up to £500) Deceased LA Error DWP Error Collection Agency unable to collect	£3,500
Housing Rents	Housing & Community	Bankruptcy/Debt relief order Abscond Small Balance (£500) Deceased Collection Agency unable to collect	£3,500
Accounts Receivable	Housing & Community	Bankruptcy/Indiv. Vol. Agreement / Debt Relief Order Abscond Small Balance (up to £500) Deceased Uneconomic to pursue through the court	£1,500
Penalty Charge Notices	Street Scene	Bankruptcy Abscond Deceased Bailiff unable to collect/ no goods on which to levy Foreign Vehicle	£1,500
Garages	Housing & Community	Bankruptcy Abscond Small Balance Deceased	£1,500
Stores	Building Works	Obsolete stock / Damaged stock Picking Error	£1,500
Health and Leisure Centres	Health & Leisure	Small Balance (up to £500) Missing Membership Proofs	£1,500
Estates & Valuations	Legal / Estates	Bankruptcy Abscond Small Balance (up to £500) Deceased	£1,500
All	Section 151 Officer	Any write off/on including; Partial write offs of live accounts, paying accounts, large balances, any other exceptional reason	NO LIMIT

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