

FINAL ACCOUNTS 2019/20 BAD DEBTS WRITE OFF

1. INTRODUCTION

- 1.1 This report informs Members of the total bad debts written off during the financial year 2019/20.
- 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 (NDR)
 - Overpaid Housing Benefit
 - Accounts Receivable
 - Housing and Garage Rents
 - Parking Penalty Charges
 - Stores
- 2.2 Criteria for write off include:
 - Abscond
 - Liquidations and bankruptcies
 - Deceased
 - Small balances
 - Enforcement Agent unable to collect/levy
 - Foreign Vehicles
- 2.3 The total bad debt written off for 2019/20 was £762,293 (2018/19 £618,169). This represents 0.28% 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 2018/19 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 2019/20 year, together with comparative figures for 2018/19.

CATEGORY OF DEBT	2018/19 £	2019/20 £
COUNCIL TAX	9,049	14,766
NNDR	687	7,614
HOUSING BENEFIT incl. OVERPAID INVOICES	14,969	1,091
ACCOUNTS RECEIVABLE	46	180
HOUSING AND GARAGE RENTS	435	1
PARKING PENALTY CHARGES	Nil	Nil
STORES	1,759	Nil

- 2.6 Write ons are credited where debtors have overpaid and they cannot be traced. All reasonable avenues are explored prior to the credit being written back on. Housing Benefit write-ons are where a previous debt which has been written-off is reversed to recover the amount.

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 2019/2020, the NFDC provision is £2,655m (£2,429m in 2018/19).
- 3.2 The total provision made for each type of bad debt write off and the total arrears as at 31 March 2020 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).
- 3.3 The bad debt provision for council tax and business rates is worked out using CIPFA guidance according to the recovery stage of the arrears as follows:

Stage	% for provision
Liability Order	50%
Final	25%
Reminder	10%
Bill	5%

- 3.4 For Housing Benefit overpayments, a provision of 100% is made for any debt which is greater than one year and 50% where the debt is being recovered by DWP.
- 3.5 For Accounts Receivable a provision is made for debts which are greater than one year with an adjusted provision for rent deposit schemes and rent in advance schemes where payment plans often exceed one year.
- 3.6 For Housing and Garage rent a provision is worked out as follows:

Arrears (£)	% of provision
0-100	0
100-250	10
250-500	25
500-750	50
750-1,000	75
1,000+	95

A provision of 95% is made for former tenant arrears.

- 3.7 Due to COVID-19 it is expected to be challenging in 2020/21 to recover arrears brought forward from 2019/20.

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 4 with no proposed changes to existing limits.

5. RECOMMENDATIONS

- 5.1 That this report be noted.

For Further Information Please Contact:

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APPENDIX 1 CATEGORIES OF WRITE OFFS 2019/20

Category of Debt	Total Write Off £	Number of Accounts	Average value of Account Written Off £	Annual Income / Turnover £	Provision Made 31/3/2020 £	Arrears Balance as at 31/3/2020 £	Write Off as % of Turnover	Reason for Write Off
Council Tax	207,813	1,292	161	127,318,000	1,286,690	3,272,000	0.2	Abscond, bankruptcy, deceased, no goods on which to levy, other, small balance.
NNDR	256,389	113	2,269	68,635,000	273,070	890,000	0.4	Abscond, bankruptcy, no goods on which to levy, other, small balance.
Housing Benefit incl Overpaid Invoices	87,328	238	367	32,672,000	1,063,050	1,595,000	0.3	Abscond, bankruptcy, collection, deceased, Local Authority/DWP error, small balance.
Accounts Receivable	147,703	362	408	8,573,000	620,210	3,165,000	1.7	Abscond, bankruptcy, small balance, uneconomical to pursue.
Housing and Garage Rents	33,871	35	968	29,158,000	660,000	942,000	0.1	Abscond, bankruptcy, deceased, collection agency unable to collect, individual voluntary agreement/debt relief order, small balance.
Parking Penalty Charges	26,546	426	67	3,425,000	12,010	99,000	0.8	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, deceased, foreign vehicle.
Stores	643							Picking errors
Total	762,293	2,466		269,781,000	3,915,030	9,963,000		

APPENDIX 2 CATEGORIES OF WRITE OFFS 2018/19

Category of Debt	Total Write Off £	Number of Accounts	Average value of Account Written Off £	Annual Income / Turnover £	Provision Made 31/3/2019 £	Arrears Balance as at 31/3/2019 £	Write Off as % of Turnover	Reason for Write Off
Council Tax	242,448	1,315	184	121,305,000	1,161,370	2,902,000	0.2	Abscond, bankruptcy, debt relief order, deceased, no goods on which to levy, other, small balance.
NNDR	186,335	78	2,389	66,811,000	245,000	760,000	0.3	Abscond, bankruptcy, no goods on which to levy, other, small balance.
Housing Benefit incl Overpaid Invoices	45,002	182	247	37,228,000	740,020	1,181,000	0.1	Abscond, bankruptcy, debt relief order, collection, deceased, Local Authority/DWP error, small balance.
Accounts Receivable	26,058	70	372	9,428,000	883,160	2,901,000	0.3	Abscond, bankruptcy, deceased, small balance, uneconomical to pursue.
Housing and Garage Rents	93,175	159	586	28,646,000	523,000	670,000	0.3	Abscond, deceased, debt relief order, small balance, unable to collect, uneconomic.
Parking Penalty Charges	25,151	425	59	315,289	20,159	121,758.21	8.0	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, foreign vehicle.
Stores								Picking errors.
Total	618,169	2,229		263,733,289	3,572,709	8,535,758		

Council Tax Arrears by Action Taken		% for Provision	Appropriate Provision
	£000		£000
At Liability Order Stage	2,562	50	1,281
At Final Notice Stage	16	25	4
At Reminder Stage	178	10	18
At Bill Stage (by deduction)	516	5	26
Total	3,272		1,329
Reduction for Court Cost Arrears			-42
Total Arrears			1,287

There is a provision for court costs outstanding.

NNDR Arrears by Action Taken		% for Provision	Appropriate Provision
	£000		£000
At Liability Order Stage	482	50	241
At Final Notice Stage (one stage recovery for NNDR)	99	25	25
At Bill Stage (by deduction)	418	5	21
Total	999		287
Reduction for Court Cost Arrears			-14
Total Arrears			273

APPENDIX 4

SERVICE AREA	SERVICE MANAGER RESPONSIBLE	WRITE OFF / ON CRITERIA	UPPER £ LIMIT PER DEBTOR
Council Tax	Revenues & Benefits	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	Revenues & Benefits	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)	Revenues & Benefits	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 – Estates Management	Bankruptcy/Debt relief order Abscond Small Balance (£500) Deceased Collection Agency unable to collect	£3,500
Accounts Receivable	Revenues & Benefits	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 – Estates Management	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