

FINAL ACCOUNTS 2020/21 BAD DEBTS WRITE OFF

1. INTRODUCTION

- 1.1 This report informs Members of the total bad debts written off during the financial year 2020/21.
- 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 policy 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
 - Housing and Garage Rents
 - Parking Penalty Charges
- 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 debt written off for 2020/21 was £596,290 (£762,293 for 2019/20). This represents 0.25% of the total income collected (0.28% for 2019/20).
- 2.4 The total written off by service is detailed in Appendix 1 (a comparison for values written off during 2019/20 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 2020/21 year, together with comparative figures for 2019/20.

CATEGORY OF DEBT	2020/21 £	2019/20 £
COUNCIL TAX	5,541	14,766
NNDR	7,795	7,614
HOUSING BENEFIT incl. OVERPAID INVOICES	15	1,091
ACCOUNTS RECEIVABLE	Nil	180
HOUSING AND GARAGE RENTS	Nil	1
PARKING PENALTY CHARGES	Nil	Nil
STORES	Nil	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 2020/21, the NFDC provision is £2.987m (£2.655m in 2019/20).
- 3.2 The total provision made for each type of bad debt write off and the total arrears as at 31 March 2021 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 have been adjusted to reflect the impact of the pandemic, as recovery proceedings were suspended for the majority of 2020/21, and as the impact on businesses is uncertain. The provisions applied are:

Stage	Council Tax % for provision	Business Rates % for provision
Liability Order	50%	60%
Final	25%	40%
Reminder	10%	40%
Bill	5%	20%

Appendix 3 provides details of the workings

- 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 2021/22 to recover arrears brought forward from 2020/21.

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. 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 2020/21

Category of Debt	Total Write Off	Number of Accounts	Average value of Account Written Off	Annual Income / Turnover	Provision Made 31/3/2021	Arrears Balance as at 31/3/2021	Write Off as % of Turnover	Reason for Write Off
	£		£	£	£	£		
Council Tax	286,408	1,057	271	131,839,000	1,793,560	4,432,000	0.2	Abscond, bankruptcy, deceased, no goods on which to levy, other, small balance.
NNDR	176,876	36	4,913	40,348,000	664,180	1,498,000	0.4	Abscond, bankruptcy, no goods on which to levy, other, small balance.
Housing Benefit incl Overpaid Invoices	99,373	134	742	31,729,000	997,570	1,392,000	0.3	Abscond, bankruptcy, collection, deceased, Local Authority/DWP error, small balance.
Accounts Receivable	0	0	0	6,134,000	691,500	3,116,000	0.0	N/A
Housing and Garage Rents	12,786	15	852	29,318,000	755,000	1,027,000	0.0	Abscond, bankruptcy, deceased, collection agency unable to collect, individual voluntary agreement/debt relief order, old, small balance.
Parking Penalty Charges	20,847	281	74	2,532,000	8,922	77,816	0.8	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, foreign vehicle.
Stores	0	0	0	0	0	0	0	N/A
Total	596,290	1,523		241,900,000	4,910,732	11,542,816		

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.
NDR	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		

Council Tax Arrears by Recovery Stage			% for Provision	Appropriate Provision
	Actual	Adjusted		
	£000	£000		£000
At Liability Order Stage	2,719	3,543	50	1,771
At Final Notice Stage	1	0	25	0
At Reminder Stage	972	354	10	35
At Bill Stage (by deduction)	737	532	5	27
Total	4,429	4,429		1,833
Reduction for Court Cost Arrears				-39
Total				1,794

The adjustment is apportioning the amount of arrears at each stage using the average of the previous three financial years year end position. The adjustments applied to the total arrears are 80% at Liability Order, 8% at Reminder and 12% at Bill stage.

NNDR Arrears by Recovery Stage			% for Provision	Appropriate Provision
	Actual	Adjusted		
	£000	£000		£000
At Liability Order Stage	566	804	60	482
At Reminder Stage	231	241	40	96
At Bill Stage (by deduction)	812	564	20	113
Total	1,609	1,609		691
Reduction for Court Cost Arrears				-14
Total				677

The adjustment is apportioning the amount of arrears at each stage using the average of the previous three financial years year end position. The adjustments applied to the total arrears are 50% at Liability Order, 15% at Reminder and 35% at Bill stage.

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
	Section 151 Officer	Any write off/on including; Partial write offs of live accounts, paying accounts, large balances, any other exceptional reason	NO LIMIT