

## AUDIT COMMITTEE – 29 JULY 2022

### FINAL ACCOUNTS 2021/22 BAD DEBTS WRITE-OFF

#### 1. RECOMMENDATIONS

- 1.1 That the Audit Committee;
  - a. note the contents of the report; and
  - b. agree to the change in Service Manager approval for Accounts Receivable Write -off's to £3,500

#### 2. INTRODUCTION

- 2.1 This report informs Members of the total bad debts written off during the financial year 2021/22.
- 2.2 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 appropriate recovery, including court.
- 2.3 This report is prepared in accordance with the policy for write offs approved by Cabinet.

#### 3. WRITE-OFFS

- 3.1 Debts have been written off in the following services;
  - Council Tax
  - National Non Domestic Rates (NNDR)
  - Overpaid Housing Benefit
  - Sundry Income
  - Housing and Garage Rents
  - Parking Penalty Charges
- 3.2 Criteria for write off include:
  - Abscond
  - Liquidations and bankruptcies
  - Deceased
  - Small balances
  - Enforcement Agent unable to collect/levy
  - Foreign Vehicles
- 3.3 The total debt written off for 2021/22 was £642,213 (£596,290 for 2020/21). This represents 0.24% of the total income collected (0.25% for 2020/21).
- 3.4 The total written off by service is detailed in Appendix 1 (a comparison for values written off during 2020/21 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.

- 3.5 The table below details the service and the value of write ons i.e. write back of credit balances made during the 2021/22 year, together with comparative figures for 2020/21.

<b>CATEGORY OF DEBT</b>	<b>2020/21 £</b>	<b>2021/22 £</b>
COUNCIL TAX	5,541	47,385
NNDR	7,795	16,466
HOUSING BENEFIT incl. OVERPAID INVOICES	15	13
ACCOUNTS RECEIVABLE	Nil	127
HOUSING AND GARAGE RENTS	Nil	Nil
PARKING PENALTY CHARGES	Nil	Nil
STORES	Nil	Nil

- 3.6 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.

#### **4. BAD DEBT PROVISION**

- 4.1 The Council has made allowances for doubtful debts in the accounts based on what it believes to be a prudent but realistic level. For 2021/22, the NFDC provision is £2.718m (£2.987m in 2020/21).
- 4.2 The total provision made for each type of bad debt write off and the total arrears as at 31 March 2022 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).
- 4.3 The bad debt provision for council tax and business rates are:

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

Appendix 3 provides details of the workings

- 4.4 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.
- 4.5 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.
- 4.6 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.

- 4.7 Due to the impact of the pandemic and the current cost of living it is expected to be challenging in 2022/23 to recover arrears brought forward from 2021/22.

## 5. AUTHORITY TO APPROVE

- 5.1 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. There is one proposed change, to increase the Service Manager approval level for Accounts Receivable to £3,500 (from £1,500), in line with the other categories within this service area.

### For Further Information Please Contact:

Ryan Stevens – Service Manager  
Revenues and Benefits  
Tel: 02380 285693  
Email: [ryan.stevens@nfdc.gov.uk](mailto:ryan.stevens@nfdc.gov.uk)

## SUMMARY OF WRITE OFFS 2021/22

## APPENDIX 1

Category of Debt	Total Write Off	Number of Accounts	Average value of Account Written Off	Annual Income / Turnover	Provision Made 31/3/2022	Arrears Balance as at 31/3/2022	Write Off as % of Turnover	Reason for Write Off
	£		£	£	£	£		
Council Tax	337,123	1,146	294	139,629,000	1,843,960	4,572,000	0.2	Abscond, bankruptcy, deceased, no goods on which to levy, other, small balance.
NDR	192,731	38	5,072	55,299,000	261,360	1,353,000	0.3	Abscond, bankruptcy, no goods on which to levy, other, small balance.
Housing Benefit incl Overpaid Invoices	60,825	136	447	28,388,000	818,410	1,154,000	0.2	Abscond, bankruptcy, collection, deceased, Local Authority/DWP error, small balance.
Accounts Receivable	2,798	10	280	7,958,000	745,000	4,701,000	0.0	Abscond, bankruptcy, small balance, deceased, uneconomical to pursue.
Housing and Garage Rents	27,324	17	1,607	29,852,000	772,000	1,082,000	0.1	Abscond, bankruptcy, deceased, collection agency unable to collect, individual voluntary agreement/debt relief order, old, small balance.
Parking Penalty Charges	21,412	263	81	3,674,000	7,941	70,946	0.6	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, foreign vehicle.
<b>Total</b>	<b>642,213</b>	<b>1,610</b>		<b>264,800,000</b>	<b>4,448,671</b>	<b>12,932,946</b>		

SUMMARY OF WRITE OFFS 2020/21								APPENDIX 2
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.
NDR	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	Abscond, bankruptcy, small balance, uneconomical to pursue.
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, 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, deceased, foreign vehicle.
<b>Total</b>	<b>596,290</b>	<b>1,523</b>		<b>241,900,000</b>	<b>4,910,732</b>	<b>11,542,816</b>		

<b>Council Tax Arrears by Recovery Stage</b>		<b>% for Provision</b>	<b>Appropriate Provision</b>
	Actual		
	£000		<b>£000</b>
At Liability Order Stage	3,623	50	1,812
At Final Notice Stage	44	25	11
At Reminder Stage	434	10	43
At Bill Stage (by deduction)	470	5	23
<b>Total</b>	<b>4,571</b>		<b>1,889</b>
Reduction for Court Cost Arrears			<b>-45</b>
<b>Total</b>			<b>1,844</b>

<b>NNDR Arrears by Recovery Stage</b>		<b>% for Provision</b>	<b>Appropriate Provision</b>
	Actual		
	£000		<b>£000</b>
At Liability Order Stage	406	50	203
At Reminder Stage	382	10	38
At Bill Stage (by deduction)	671	5	34
<b>Total</b>	<b>1,459</b>		<b>275</b>
Reduction for Court Cost Arrears			<b>-14</b>
<b>Total</b>			<b>261</b>

**APPENDIX 4**

<b>SERVICE AREA</b>	<b>SERVICE MANAGER RESPONSIBLE</b>	<b>WRITE OFF / ON CRITERIA</b>	<b>UPPER £ LIMIT PER DEBTOR</b>
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	£3,500
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
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