

## **FINAL ACCOUNTS 2023/24 BAD DEBTS WRITE-OFF REPORT**

### **1. RECOMMENDATION**

- 1.1 That the contents of the report be noted.
- 1.2 That the proposal to change the current threshold for Service Managers to authorise write-offs from £3,500 to £10,000, as explained in Section 6.2, be approved.

### **2. INTRODUCTION**

- 2.1 This report is an annual report to inform Members of the total bad debts written-off during the financial year 2023/24.
- 2.2 The Council collects Council Tax, Business Rates, Sundry Income, Rent and Parking Charges and every effort is made to collect all sums by the most appropriate and efficient method. It is Council policy to take all practical steps to recover debts, including proactively working with households to provide support, advice and information, and we always encourage those in arrears to contact us so we can discuss their situation and circumstances. We continue to refer to, and work with, Citizens Advice New Forest.
- 2.3 The Council's accounting systems provide automated recovery procedures for the collection of the debts, followed where applicable, by appropriate recovery, and all methods of recovery are considered and where appropriate pursued in line with legislative provision before recommending that debts are written-off, for example enforcement agents, tracing services and through the court. Writing-off a debt is the last resort after all avenues of recovery have been exhausted.
- 2.4 This report is prepared in accordance with the policy for write-offs approved by Council.

### **3. WRITE-OFFS**

- 3.1 Debts have been written-off in the following services during 2023/24:
  - Council Tax
  - National Non-Domestic Rates (NNDR)
  - Housing Benefit
  - Sundry Income
  - Housing and Garage Rents
  - Parking Penalty Charges
  - Stores
- 3.2 The need to write-off debt can arise for a number of reasons, including:
  - Abscond
  - Liquidations and bankruptcies
  - Deceased
  - Small balances
  - Enforcement Agent unable to collect/levy
  - Foreign Vehicles

- 3.3 The total debt written off for 2023/24 was £995,619 (£771,515 for 2022/23). This represents 0.34% of the total income collected (0.27% for 2022/23). Although some debts are written-off in 2023/24 they are not necessarily related to this year due to the timescales involved in pursuing recovery of the debt, for example council tax, where the debt may be from a previous year or years.
- 3.4 The total written-off by each service is detailed in Appendix 1, with Appendix 2 providing comparison values for 2022/23. The appendix also includes the average value of the amount written off, the write off as a percentage of annual income collected and examples of write offs criteria.

#### 4. WRITE-ONS

- 4.1 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 Housing Benefit overpayment debt which has been written-off is reversed to recover the amount.
- 4.2 The table below details the service and the value of accounts that have had a credit on an account which has been written-on, together with comparative figures for 2021/22.

CATEGORY OF DEBT	2023/24 £	2022/23 £
Council Tax	75,506	139,705
National Non-Domestic Rates	13,820	5,038
Housing Benefit overpayments	Nil	10,320
Sundry Income	792	1,268
Housing and Garage rents	3,145	18,301
Parking Penalty Charges	Nil	Nil
<b>TOTAL</b>	<b>90,118</b>	<b>174,632</b>

#### 5. BAD DEBT PROVISION

- 5.1 The Council has made allowances for doubtful debts in the accounts based on what it believes to be a prudent but realistic level of debt collection for each type of debt. For 2023/24, the Council's provision is £3,077 million (£2.866 million in 2022/23), as detailed in Appendix 1
- 5.2 The total provision made for each type of bad debt write off and the total arrears as at 31 March 2024 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. Hampshire County Council).
- 5.3 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.

- 5.4 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. Where an overpayment is currently being recovered from ongoing entitlement, the migration to Universal Credit may result in an increase to the bad debt provision.
- 5.5 For Sundry Income 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, and where we have more information, such as an agreed payment plan.
- 5.6 For existing Housing and Garage tenants 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

- 5.7 A provision of 95% is made for debts of former tenant arrears.
- 5.8 Due to the ongoing impact of the cost of living it is expected to be challenging in 2024/25 to recover arrears brought forward from 2023/24.

**6. AUTHORITY TO APPROVE**

- 6.1 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 current approval limits are shown in Appendix 4A.
- 6.2 Following a review of the number of approvals and reasoning for writing-off debts above the current threshold, it is proposed to increase the upper limit for approval by Service Managers from £3,500 to £10,000 for debts relating to Council Tax, Business Rates, Housing Benefit, Sundry Income and Rents, as detailed in Appendix 4B.
- 6.3 A quarterly report will be provided to the Strategic Director Resources and Corporate Services to detail the write-offs approved.

**For Further Information Please Contact:**

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**Background papers:**

There are none.

**APPENDIX 1 WRITE-OFFS 2023/24**

<b>Category of Debt</b>	<b>Total Write-off</b>	<b>Number of Accounts</b>	<b>Average value of write-off</b>	<b>Annual Income / Turnover</b>	<b>Provision Made 31/3/2024</b>	<b>Arrears balance as at 31/3/2024</b>	<b>Write-off as % of Turnover</b>	<b>Reasons for write-off</b>
	<b>£</b>		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>		
<b>Council Tax</b>	363,213	1,902	191	152,269,000	2,425,960	5,669,000	0.2	Abscond, bankruptcy, deceased, enforcement agent unable to collect, other, small balance.
<b>NDR</b>	274,622	96	2,861	65,219,000	411,440	1,724,000	0.4	Abscond, bankruptcy, no goods on which to levy, other, small balance.
<b>Housing Benefit Overpayments</b>	74,937	305	246	27,386,000	683,120	1,098,000	0.3	Abscond, bankruptcy, collection agency unable to collect, deceased, Local Authority/DWP error, small balance.
<b>Sundry Income</b>	130,401	314	415	10,491,000	856,080	3,742,000	1.2	Abscond, bankruptcy, small balance, deceased, uneconomical to pursue.
<b>Housing and Garage Rents</b>	131,867	214	616	31,453,000	850,000	1,233,000	0.4	Abscond, bankruptcy, deceased, collection agency unable to collect, individual voluntary agreement/debt relief order, old, small balance.
<b>Parking Penalty Charges</b>	12,841	214	60	3,985,000	23,644	77,943	0.3	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, foreign vehicle.
<b>Stores</b>	7,738							Change in law, obsolete
<b>Total</b>	<b>995,619</b>	<b>3,045</b>		<b>290,803,000</b>	<b>5,260,244</b>	<b>13,543,943</b>		

**APPENDIX 2 WRITE-OFFS 2022/23**

<b>Category of Debt</b>	<b>Total Write-off</b>	<b>Number of Accounts</b>	<b>Average value of write-off</b>	<b>Annual Income / Turnover</b>	<b>Provision Made 31/3/2023</b>	<b>Arrears balance as at 31/3/2023</b>	<b>Write-off as % of Turnover</b>	<b>Reasons for write-off</b>
	<b>£</b>		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>		
<b>Council Tax</b>	337,982	1,270	266	144,538,000	2,135,400	5,135,000	0.2	Abscond, bankruptcy, deceased, enforcement agent unable to collect, other, small balance.
<b>NNDR</b>	122,996	39	3,154	61,065,000	331,830	1,194,000	0.2	Abscond, bankruptcy, no goods on which to levy, other, small balance.
<b>Housing Benefit Overpayments</b>	34,450	89	387	28,106,000	719,470	1,082,000	0.1	Abscond, bankruptcy, collection agency unable to collect, deceased, Local Authority/DWP error, small balance.
<b>Sundry Income</b>	96,225	151	637	8,819,000	809,960	5,131,000	1.1	Abscond, bankruptcy, small balance, deceased, uneconomical to pursue.
<b>Housing and Garage Rents</b>	165,603	284	583	29,528,000	885,000	1,201,000	0.6	Abscond, bankruptcy, deceased, collection agency unable to collect, individual voluntary agreement/debt relief order, old, small balance.
<b>Parking Penalty Charges</b>	13,984	222	63	3,719,000 – total income from parking	23,709	80,235	0.4	Abscond, bailiff unable to collect/no goods on which to levy, bankruptcy, foreign vehicle.
<b>Stores</b>	275							Change in law, obsolete
<b>Total</b>	<b>771,515</b>	<b>2,055</b>		<b>275,775,000</b>	<b>4,905,369</b>	<b>13,823,235</b>		

<b>Council Tax Arrears by Recovery Stage</b>			
	<b>Arrears</b>	<b>Provision</b>	<b>Provision</b>
	<b>£'000</b>	<b>%</b>	<b>£'000</b>
At Liability Order Stage	4,873	50	2,437
At Final Notice Stage	30	25	8
At Reminder Stage	305	10	30
At Bill Stage (by deduction)	461	5	23
<b>Total</b>	<b>5,669</b>		<b>2,498</b>
Reduction for Court Cost Arrears			<b>72</b>
<b>Total</b>			<b>2,426</b>

There is a provision for court costs outstanding.

<b>NNDR Arrears by Recovery Stage</b>			
	<b>Arrears</b>	<b>Provision</b>	<b>Provision</b>
	<b>£'000</b>	<b>%</b>	<b>£'000</b>
At Liability Order Stage	744	50	372
At Reminder Stage	60	10	6
At Bill Stage (by deduction)	963	5	48
<b>Total</b>	<b>1,767</b>		<b>426</b>
Reduction for Court Cost Arrears			<b>15</b>
<b>Total</b>			<b>411</b>

APPENDIX 4A

SERVICE AREA	SERVICE MANAGER RESPONSIBLE	WRITE OFF / ON CRITERIA	UPPER £ LIMIT PER DEBTOR
Council Tax	Revenues, Benefits and Customer Services	Bankruptcy/Debt relief order Abscond Small Balance (up to £500) Deceased Enforcement Agent unable to collect/no goods on which to levy	£3,500
Business Rates	Revenues, Benefits and Customer Services	Bankruptcy/Liquidation/Indiv vol agreement Abscond Small Balance (up to £500) Deceased Enforcement Agent unable to collect/no goods on which to levy	£3,500
Housing Benefit (including Fraudulent cases)	Revenues, Benefits and Customer Services	Bankruptcy/Debt relief order Abscond Small Balance (up to £500) Deceased LA Error DWP Error Collection Agency unable to collect	£3,500
Sundry Income	Revenues, Benefits and Customer Services	Bankruptcy/IVA/Debt Relief Order Abscond Small Balance (£500) Deceased Collection Agency unable to collect Uneconomic to pursue through the court	£3,500
Housing Rents	Housing	Bankruptcy/Indiv. Vol. Agreement / Debt Relief Order Abscond Small Balance (up to £500) Deceased Collection Agency unable to collect	£3,500
Garages	Housing	Bankruptcy Abscond Small Balance Deceased	£1,500
Penalty Charge Notices	Street Scene	Bankruptcy Abscond Deceased Bailiff unable to collect/ no goods on which to levy Foreign Vehicle	£1,500
Stores	Building Works	Obsolete stock / Damaged stock Picking Error	£1,500
Estates & Valuations	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

SERVICE AREA	SERVICE MANAGER RESPONSIBLE	WRITE OFF / ON CRITERIA	UPPER £ LIMIT PER DEBTOR
Council Tax	Revenues, Benefits and Customer Services	Bankruptcy/Debt relief order Abscond Small Balance (up to £500) Deceased Enforcement Agent unable to collect/no goods on which to levy	£10,000
Business Rates	Revenues, Benefits and Customer Services	Bankruptcy/Liquidation/Indiv vol agreement Abscond Small Balance (up to £500) Deceased Enforcement Agent unable to collect/no goods on which to levy	£10,000
Housing Benefit (including Fraudulent cases)	Revenues, Benefits and Customer Services	Bankruptcy/Debt relief order Abscond Small Balance (up to £500) Deceased LA Error DWP Error Collection Agency unable to collect	£10,000
Sundry Income	Revenues, Benefits and Customer Services	Bankruptcy/IVA/Debt Relief Order Abscond Small Balance (£500) Deceased Collection Agency unable to collect Uneconomic to pursue through the court	£10,000
Housing Rents	Housing	Bankruptcy/Indiv. Vol. Agreement / Debt Relief Order Abscond Small Balance (up to £500) Deceased Collection Agency unable to collect	£10,000
Garages	Housing	Bankruptcy Abscond Small Balance Deceased	£10,000
Penalty Charge Notices	Street Scene	Bankruptcy Abscond Deceased Bailiff unable to collect/ no goods on which to levy Foreign Vehicle	£1,500
Stores	Building Works	Obsolete stock / Damaged stock Picking Error	£1,500
Estates & Valuations	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