

Cherwell District Council

Executive

5 September 2022

Summary of Debt Write Offs

Report of Assistant Director of Finance

This report and Appendix C are public. Appendices A1 – A14 and B1 – B10 are exempt from publication by virtue of paragraph 1 and 3 of Schedule 12A of Local Government Act 1972

Purpose of report

To provide members with a summary of the accounts proposed for write-offs and to request approval for the write-offs

1.0 Recommendations

The meeting is recommended:

- 1.1 To review and approve the proposed bad debt write offs summarised in exempt Appendices A1 to A14 this contains debts recommended for write-off relating to Housing Benefit Overpayments where the value exceeds £5,000.
- 1.2 To review and approve the proposed bad debt write offs summarised in exempt Appendices B1 to B10 this contains other sundry debts recommended for write-off where the values exceeds £5,000.
- 1.3 To approve the proposed write off of debts for each service area where the value is less than £5000.00 but all recovery methods have been exhausted. These have been reviewed by the S151 Officer and are available to be reviewed on request.

2.0 Introduction

- 2.1 The Council's financial procedure rules require that recommended write offs with an outstanding balance of £5,000 and above for Council Tax, Overpayment of Housing Benefit or Sundry Debtors, and £10,000 and above for Non- Domestic Rates must be approved by the Executive.
- 2.2 There are certain circumstances where it is practically or legally impossible to collect outstanding debts due to the Council. This includes cases where the debtor has gone into liquidation, been declared bankrupt, has died or has left a property without trace and all reasonable efforts to trace the debtor have proven unsuccessful.

- 2.3 The Council has not undertaken a fundamental review of sundry debts or Overpaid Housing Benefit that should be considered for write off for a number of years. This is a higher amount than would normally be reported, however, in the future it is our intension to write off any bad debts on a regular basis and more reports will be brought to Executive to consider in the future.
- 2.4 As part of the review of aged debt a full service review has been completed with each service area reviewing the value of debts outstanding for each cost centre and of this what is deemed as collectable or recommended to be written off.
- 2.5 The Council takes its responsibilities to collect debt very seriously. For example the in-year collection rates of Council Tax and Business Rates are 98.1% and 97.8% respectively.
- 2.6 The sundry debts of £0.6m proposed for write off stretch back for more than 6 years, so there is an average of £0.1m per year. During 2021/22 total Sundry Debtors invoices of £15.4m were raised. he average of £0.1m less than 1% of the annual value of invoices raised.
- 2.7 Housing Benefit Overpayments proposed for write off total £0.2m and stretch over a period of more than 10 years, so there is an average of £0.02m per year. The total value of Housing Benefit for 2021/22 was £22.5m. The average of £0.02m is less than 0.1% of total Housing Benefit issued.
- 2.8 The recommendation for the majority of write off fall into the following categories
- Deceased – No Estate – No further recovery options are available in this instance
 - Absconded/Abroad – Several of the cases relate to individuals that have returned to their Country of origin and fall outside of our jurisdiction for any further enforcement action
 - Insolvency – Those cases in the insolvency process cannot have alternative action taken against them, in some cases we are receiving nominal payments but these will all leave substantial balances outstanding and the recovery process has been exhausted, further action cannot be pursued following the insolvency process.
 - Statute barred – Debts over 6 years old and fall within the Statute of Limitations Act
 - Uneconomical to collect / Recovery Activity Exhausted – debts of low value or where all recovery options have been exhausted
- 2.9 A full corporate aged debt report is circulated each month to budget holders so each service area is aware of the current level of debt outstanding on a monthly basis this will then form part of the monthly discussions that take place between the finance business partners and each budget holder.
- 2.10 A corporate debt policy and write off policy has been drafted and is attached for review (Appendix C).

- 2.11 The financial regulations make provision for writing off debts that are uneconomical to collect or irrecoverable. The Council maintains a number of bad debt provisions in the anticipation that debts will become uncollectable and these once agreed are charged to the relevant provision or cost centre. The provision within the council for bad debt is £1.143m and by writing off the amount of debt mentioned in this report will not cause the provision to be exceeded. This provision is reviewed on a regular basis to ensure that we have sufficient within it.
- 2.12 There is no financial impact to the Council for writing off Housing Benefit Overpayments. The cost of the overpayments has been factored into the grant returns to the Government in previous years. Therefore anything that can be collected from overpayments would be a financial benefit to the Council, not a further loss.

3.0 Report Details

- 3.1 Exempt Appendix A1 to A14 details the Overpaid Housing Benefit cases over £5000.00 requiring approval for write off.
- 3.2 Exempt Appendix B1 to B10 details the Sundry Debts cases over £5000.00 requiring approval for write off
- 3.3 The table below provides the total value of debts contained in the appendices that accompany the report.

Appendix	Fund	Amount	Fund impacted
A1 to A14	Overpaid Housing Benefit	£144,531.67	General
B1 to B10	Sundry Debts	£588,885.78	General

- 3.4 The table below contains the value of debt for each service area where the overall value of the invoices raised is for less than £5,000.00 these have been reviewed and approved for write off by Section 151 Officer

Service	Fund	Amount	Fund impacted
Housing	Sundry Debt	£4223.82	General
Licencing	Sundry Debt	£12007.50	General
Business Waste	Sundry Debt	£986.56	General
Premise and Street Licencing	Sundry Debt	£9655.50	General
Assets and Facilities	Sundry Debt	£22,726.37	General
Housing Benefit	Overpayment of HB	£90,621.93	General
Total to be written of under £5k		£140,221.68	

4.0 Conclusion and Reasons for Recommendations

- 4.1 Members are asked to note the contents of the report and approve the debts for write off as detailed in the attached exempt Appendices A1 to A14 and B1 to B10

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To not write off the debt. This old and irrecoverable debt places additional administration on the team as periodically, it is required to be reviewed and pursued. By writing off the debt, more time will be able to be focussed on reviewing debt that is more likely to be recoverable.

7.0 Implications

Financial and Resource Implications

- 7.1 The implications are set out in the report and detailed in the exempt appendices. The Council reviews the level and age of debt owed to it periodically. Provisions are created and reviewed each year to ensure resource has been put aside for debts that are not able to be collected. Bad debt provision will be released to cover the cost of these debt write offs. The level of bad debt provision required at the end of the year will be considered based on the aged debt profile at that point and adjusted accordingly.

Comments checked by:

Michael Furness - Assistant Director of Finance,
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Legal Implications

- 7.2 The exempt appendices details each debt. Even if a debt is written off it does not preclude the Council from seeking recovery should it become feasible in the future, subject to the period of limitation which is generally six years.

Comments checked by:

Stephen Hinds, Corporate Director – Resources. Stephen.Hinds@Cherwell-dc.gov.uk

Risk Implications

- 7.3 There is a corporate debt write-off policy included as appendix C, and these write offs are being considered in accordance with the policy and the Council's Financial Regulations. There are no risks arising from this report

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus.
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Equalities and Inclusion Implications

7.4 There are no equality issues arising from this report.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus.
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8.0 Decision Information

Key Decision Yes

Financial Threshold Met: Yes

Community Impact Threshold Met: No

Wards Affected

All

Links to Corporate Plan and Policy Framework

Serve the residents and the business

Lead Councillor

Councillor Adam Nell – Portfolio Holder for Finance

Document Information

Appendix number and title

- Appendix A1 to A14 Overpaid Housing Benefit cases - EXEMPT
- Appendix B1 to B10 Sundry Debtor case - EXEMPT
- Appendix C – Corporate Debt Policy

Background papers

None

Report Author and contact details

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