



Northumberland

County Council

Cabinet

Date: 7 July 2020

Write Offs 2019-20

Report of Chris Hand, Executive Director of Finance & Section 151 Officer

Cabinet Member: Councillor Nicholas Oliver, Portfolio Holder for Corporate Services

Purpose of report

To report on debt written off during the 2019-20 financial year.

Recommendations

It is recommended that Cabinet notes the contents of the report.

Link to Corporate Plan

Effective income management processes are critical to the delivery of overall Council service objectives. A more efficient income management process contributes to the availability of resources for wider or deeper service provision.

Key issues

An integral part of debt recovery is the effective management of irrecoverable debts to ensure that resources are applied effectively to the collection of monies outstanding which can reasonably be expected to be collected.

Background

1. The Council's Finance and Contract Rules require an annual report showing:
 - the total amount of sundry debt written off in any year broken down by the Groups and Services;
 - details where any one sundry debtor has an annual aggregated total of write offs which exceed £10,000;
 - details of council tax and business rates write offs;
 - details of benefit overpayment write offs;
 - details of housing rents, garage rents and other social housing write offs; and
 - details of Adult Social Care cases where the charge is deemed irrecoverable prior to an invoice being raised.

2. The Council's Corporate Debt Recovery Policy details the policies on the billing, collection and recovery of monies due to the Council and includes:

- The Write-Off Policy;
- The Sundry Debt Policy;
- The Council Tax and NNDR Recovery Policy;
- The Housing Benefit and Council Tax Benefit/Support Overpayments Policy;
- The Housing Income Management Policy; and
- The Statutory and Chargeable Debt Policy.

3. It is not possible to list every scenario which could make a debt suitable for write off. However, the following factors could be appropriate depending on the circumstances. The advice of the Corporate Debt Team should be sought in determining whether a debt is suitable for write off. Some of the justified reasons are included below:

- The customer is insolvent;
- The customer cannot be traced;
- The debt is uneconomical to pursue, or to pursue further. This may be based on more than one factor, such as the amount of the debt, the financial position of the customer and the cost in administrative and Officer time in pursuing the debt;
- Administrative errors or loss of documentation. When a debt is referred to the Corporate Debt Team, under the Civil Procedure Rules, the Council is required to set out in detail the basis of the claim and enclose documentary evidence to back up the claim. If there is a lack of evidence it may not be possible to pursue the matter;
- The debt is a contractual debt over 6 years old. Under the Limitation Act 1980 it is not possible to issue court proceedings in a contractual matter which is over 6 years old. However there are exemptions to this rule and the Services should consult Legal Services where they believe the debt is no longer enforceable by virtue of the Limitation Act 1980;
- The Magistrates' Court has refused a committal application or remitted the debt;
- The Council has evidence to confirm that the customer is suffering a severe physical or mental illness, which renders recovery action inappropriate; and
- The customer has died and there are no or insufficient funds in the estate to settle the debt.
- Where dividends are received after the debt has been written off the amount of the dividend is written back on to the account or invoice.
- The total debt written off in 2016-17, 2017-18, 2018-19 and 2019-20 is shown below:

	2016-17	2017-18	2018-19	2019-20
Sundry debt (*see note 1)	£86,859.14	£104,856.31	*£224,596.64	£266,343.83
Council Tax	£867,864.30	£876,976.87	£476,560.30	£158,220.13
Business Rates	£656,647.24	£611,495.46	£790,990.74	£1,057,697.40
Benefit Overpayments	£142,973.58	£166,866.27	£163,855.28	£103,005.65

Housing Rent & Other Debt (**see note 2)	**£0.00	£208,310.92	£394,903.58	£507,807.23
Adult Social Care	£11,462.85	£43,977.11	£37,671.68	£5,369.31
Total	£1,765,807.11	£2,012,482.94	£2,088,578.22	£2,098,443.55

Notes:

1. The 2018-19 total for Sundry Debt includes £138,089.45 authorised for write off in 2018-19 but actioned in the new financial system in 2019-20.
2. The Finance & Contract Rules covering write offs were updated at County Council on 1 November 2017 to include Housing debts.

Sundry Debt

4. When invoices are created, the service area responsible is immediately credited with the income. If the recovery of the debt is then considered doubtful the service will be charged and they will need to accommodate this additional cost from within their existing resources. At the same time a bad debt provision is created. Write offs are then charged against the bad debt provision.
5. During 2019-20 352 invoices valued at £266,343.55 and regarding 199 debtors were written off. In addition, 2 nominal balances totalling £0.28 were written off in 2019-20.
6. All of this debt has been provided for as doubtful based on its type, how long it has remained unpaid, and its history since it was raised. This means there is no adverse impact on the financial performance of the Council.
7. The breakdown of the debt written-off in 2019-20 by Group/Service is shown below:

Group/Service	No. of Invoices	Value
Adult Services (including Valley Care)	288	£201,467.58
Children's Services (including Schools)	10	£8,687.38
Finance	21	£26,936.74
Housing & Public Protection	10	£2,478.22
Local Services (including Projects)	14	£20,660.66
Planning & Economy	1	£1,088.00
Property	8	£5,024.97
Total	352	£266,343.55

8. In 2019-20 three debtors had an annual aggregated total of write offs which exceeded £10,000.

Group/Service	Description	Reason	Amount
Finance	Agency payroll recharges	Company dissolved	£15,772.78
Adult Services	Service user rent	Collection exhausted	£13,735.91
Adult Services	Care charges	Deceased. Collection exhausted. Statute barred.	£30,941.97
		Total	£60,450.66

9. A comparison with previous years is shown below:

	2016-17	2017-18	2018-19
Amount written off	£86,843.69	£104,837.79	£224,587.41
Number of invoices	184	267	303
Number of debtors	103	204	149

Amount of nominal balances written off	£15.45	£18.52	£9.23
Number of nominal balances written off	51	52	26
Number of debtors with write offs over £10,000	1	3	2
Amount written off	£11,000.00	£40,019.50	£62,827.35

Council Tax

10. During 2019-20 1,110 Council Tax write-offs were performed totalling £133,692.62. The highest of these was for £6,326.60 where the debtor was declared bankrupt. 658 of the write offs were for debts of £1.00 or less.
11. In addition, 266 court costs write-offs were performed in 2019-20 totalling £24,527.51.
12. All of this debt has been provided for as doubtful based on how long it has remained unpaid and its history since it was raised. This means there is no adverse impact on the financial performance of the Council.
13. Of the £158,220.13 written off in 2019-20, £10,764.38 was in respect of pre Local Government Reorganisation balances.
14. A comparison with previous years is shown below:

	2016-17	2017-18	2018-19
Amount of council tax written off	£781,133.61	£740,126.80	£408,812.18
Number of debts	2,361	2,437	4,308
Number of debts £1.00 or less	802	609	523
Amount of court costs	£86,730.69	£136,850.07	£67,748.12
Number of debts	657	1,065	558
Amount in respect of pre LGR balances	£125,663.63	£116,799.39	£26,561.51
Number of write offs over £10,000	3	0	0
Amount written off	£54,722.89	£0.00	£0.00

Non-Domestic Rates (Business Rates)

15. During 2019-20 69 Non-Domestic Rates write offs were performed totalling £1,049,995.46. 17 of the write offs were for debts of £1.00 or less.
16. In addition, 35 court costs write-offs were performed in 2019-20 totalling £7,701.94.
17. All of this debt has been provided for as doubtful based on how long it has remained unpaid and its history since it was raised. This means there is no adverse impact on the financial performance of the Council.
18. Of the £1,057,697.40 written off in 2019-20, £20,503.47 was in respect of pre Local Government Reorganisation balances.
19. The write-offs included 19 cases in excess of £10,000 as follows:

Location of Business	Reason	Amount
Amble	In Liquidation	£101,013.48
Amble	In Liquidation	£31,089.64
Amble	In Liquidation	£29,807.89
Amble	In Liquidation	£29,118.51
Amble	In Liquidation	£28,143.05
Amble	In Liquidation	£15,289.73

Location of Business	Reason	Amount
Amble	In Liquidation	£14,726.46
Ashington	Company dissolved	£14,312.20
Berwick	In Liquidation	£23,093.11
Berwick	In Liquidation	£12,714.81
Blyth	Absconded	£28,423.56
Blyth	Absconded	£13,422.59
Cramlington	Company Voluntary Arrangement	£127,287.64
Cramlington	Company Voluntary Arrangement	£33,400.33
Cramlington	Company Voluntary Arrangement	£25,704.00
Cramlington	Company dissolved	£15,488.06
Hexham	Bankrupt	£339,902.69
Ponteland	Bankrupt	£39,000.46
Ponteland	Bankrupt	£35,461.82
		£957,400.03

20. A comparison with previous years is shown below:

	2016-17	2017-18	2019-20
Amount of business rates written off	£646,337.74	£601,876.72	£784,809.16
Number of debts	165	181	155
Number of debts £1.00 or less	30	47	25
Amount of court costs	£10,309.50	£9,618.74	£6,181.58
Number of debts	86	82	67
Amount in respect of pre LGR balances	£17,763.04	£28,810.99	£2,289.01
Number of write offs over £10,000	17	22	26
Amount written off	£407,548.98	£373,971.95	£534,512.08

Benefit Overpayments

21. Overpayments of Housing Benefit and Council Tax Benefit/Support are established through a change in benefit entitlement. They are described as an amount of benefit that has been awarded but to which there is no entitlement under the regulations.
22. The Council receives 40% subsidy from the Department for Work & Pensions (DWP) on any overpaid Housing Benefit where the claimant has caused or contributed to the cause of that overpayment. Where an overpayment of Housing Benefit is caused by an administration error or delay the Council receives 100% subsidy from DWP as long as the annual sum of overpaid Housing Benefit caused by this error type is below a tolerance level set by DWP. This tolerance level is based on the Council's total annual Housing Benefit expenditure and the Council has been within tolerance in each year since inception. In addition to subsidy payments the Council keeps any monies recovered in respect of Housing Benefit overpayments, therefore there is no adverse impact on the financial performance of the Council.
23. Recoverable overpayments of Council Tax Benefit are administered and collected through the council tax account. The subsidy scheme for Council Tax Benefit ended in 2012-13 in line with the localisation of Council Tax Support schemes and no prior year adjustments are required. This means that the Council has already received 100% subsidy for any overpayments of Council Tax Benefit identified after this date. The Council also keeps any monies recovered in respect of such overpayments.
24. All overpayments of Council Tax Support are administered and collected through the council tax account.

25. During 2019-20, £103,005.65 was written off relating to 326 Housing Benefit overpayments ranging from £0.01 to £8,090.00 with a total value of £102,949.94, and 10 irrecoverable Council Tax Benefit overpayments ranging from £0.13 to £14.77 with a total value of £55.71. The total number of claims involved was only 332 as some related to both Council Tax and Housing Benefit claims.
26. Nine Housing Benefit write offs totalling £3,421.96 were in respect of overpayments identified pre Local Government Reorganisation.
27. There were no write offs in excess of £10,000 in 2019-20.
28. A comparison with previous years is shown below:

	2016-17	2017-18	2018-19
Overpaid housing benefit written off	£139,131.33	£163,990.64	£162,425.28
Number of overpayments	391	339	286
Overpaid council tax benefit written off	£3,842.25	£2,875.63	£1,430.00
Number of overpayments	13	16	11
Number of claims	398	344	292
Number of write offs over £10,000	0	1	1
Amount written off	£0.00	£12,745.51	£17,320.00

Housing Rent and other debt

29. During 2019-20 949 Housing write offs were performed totalling £507,807.23. 18 of the write offs were for debts of £1.00 or less.
30. All of this debt has been provided for as doubtful based on its type, how long it has remained unpaid, and its history since it was raised. This means there is no adverse impact on the financial performance of the Council.
31. The breakdown of the debt written-off in 2019-20 by category is shown below:

Category	No. of accounts	Value
Rent only	418	£184,554.96
Rechargeable Repairs	377	£250,624.96
Furniture Recharges	58	£50,046.16
Court Costs	96	£22,581.15
Total	949	£507,807.23

32. There were no write offs in excess of £10,000 in 2019-20.

33. A comparison with previous years is shown below:

	2016-17	2017-18	2018-19
Amount written off	£0.00	£208,310.92	£394,903.58
Number of debts	0	430	605
Number of debts £1.00 or less	0	20	25
Number of write offs over £10,000	0	0	1
Amount written off	£0.00	£0.00	£11,017.23

34. The Finance & Contract Rules covering write offs were updated at County Council on 1 November 2017 to allow the write off of Housing debts. No Housing debts were written off in 2016-17.

Adult Social Care

35. Occasionally care charges are deemed irrecoverable prior to an invoice being raised. The Council had a legal right to charge, but it was apparent that the charge was not recoverable prior to an invoice being raised.

36. During 2019-20, £5,369.31 was written off relating to 6 Adult Social Care debts.

37. None of this debt has been provided for as doubtful so the financial impact on the Council is a loss of £5,369.31.

38. There were no write offs in excess of £10,000 in 2019-20.

39. A comparison with previous years is shown below:

	2016-17	2017-18	2018-19
Amount written off	£11,462.85	£43,977.11	£37,671.68
Number of debts	10	77	15
Number of write offs over £10,000	0	0	0
Amount written off	£0.00	£0.00	£0.00

Implications

Policy	Write-offs are undertaken in accordance with the Corporate Debt Recovery Policy which incorporates the Council's Write-Off Policy. The Finance and Contract Rules dictate the levels of delegation.
Finance and value for money	The write-off of debt represents a cost to the Council and is only undertaken when it becomes clear that there is no prospect of recovery.
Legal	None
Procurement	None
Human Resources	None
Property	None
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A <input type="checkbox"/>	All debt recovery policies and the procedures they use have been subject to an equality impact assessment.
Risk Assessment	Risks relating to the non-recovery of debt are picked up within the relevant area's service plan. In addition, the risk assessments carried out in relation to the budget process highlight such areas and identify the appropriate controls.

	Budget risk assessments are carried out on an annual basis.
Crime & Disorder	None
Customer Consideration	Efficient and effective recovery of recoverable debts, as well as effective management of irrecoverable debts, in accordance with the Corporate Debt Recovery Policy which incorporates the Council's Write-Off Policy.
Carbon reduction	None
Health and Wellbeing	None
Wards	All

Background papers:

Corporate Debt Recovery Policy
Finance and Contract Rules updated 1 November 2017

Report sign off

Authors must ensure that officers and members have agreed the content of the report:

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