



# Northumberland

## County Council

### **Cabinet**

Date: 10 July 2018

### **Write Offs 2017-18**

**Report of** Barry Scarr, Executive Director of Finance & Section 151 Officer / Deputy Chief Executive

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

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### **Purpose of report**

To report on debt written off during the 2017-18 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.
4. 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.
  5. The total debt written off in 2014-15, 2015-16, 2016-17 and 2017-18 is shown below:

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Sundry debt	£641,807.10	£66,451.44	£86,859.14	£104,856.31
Council Tax	£918,556.83	£511,941.04	£847,797.21	£869,775.83
Business Rates	£879,125.21	£626,310.01	£656,647.24	£611,495.46
Benefit Overpayments	£283,183.72	£238,607.81	£163,040.67	£174,067.31
Homes for Northumberland	£0.00	£0.00	£0.00	£208,310.92
Adult Social Care	£41,220.24	£967.65	£11,462.85	£43,977.11
<b>Total</b>	<b>£2,763,893.10</b>	<b>£1,444,277.95</b>	<b>£1,765,807.11</b>	<b>£2,012,482.94</b>

## Sundry Debt

6. When invoices are created, the service area responsible is immediately credited with the income. Write-offs are charged back to the service that received the income.
7. During 2017-18 267 invoices valued at £104,837.79 and regarding 204 debtors were written off. In addition, 52 nominal balances totalling £18.52 were written off in 2017-18.
8. Most of this debt has already 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.
9. The breakdown of the debt written-off in 2017-18 by Group/Service is shown below:

<b>Group/Service</b>	<b>No. of Invoices</b>	<b>Value</b>
Adult Services (including Valley Care)	141	£80,431.53
Children's Services (including Schools)	77	£5,733.09
Corporate Resources	5	£1,169.62
Fire and Rescue & Public Protection	4	£703.00
Housing	4	£2,341.07
Local Services (including Projects)	34	£13,952.26
Property & Estate Management	0	£0.00
Public Health	2	£507.22
<b>Total</b>	<b>267</b>	<b>£104,837.79</b>

10. In 2017-18 three debtors had an annual aggregated total of write offs which exceeded £10,000.

<b>Group/Service</b>	<b>Description</b>	<b>Reason</b>	<b>Amount</b>
Adult Services	Care charges	Deceased. Collection exhausted.	£10,972.58
Adult Services	Care charges	Collection exhausted.	£12,522.77
Adult Services	Care charges	Invoice disputed. Deceased. Collection exhausted.	£16,524.15
<b>Total</b>			<b>£40,019.50</b>

11. For comparison:

- During 2016-17 184 invoices valued at £86,843.69 and regarding 103 debtors were written off. In addition, 51 nominal balances totalling £15.45 were written off in 2016-17.
  - One debtor had an annual aggregated total of write offs which exceeded £10,000. The total was £11,000.00.
- During 2015-16 208 invoices valued at £66,435.00 and regarding 159 debtors were written off.
  - No debtors had an annual total of write offs which exceeded £10,000.
- During 2014-15 242 invoices valued at £196,921.94 and regarding 163 debtors were written off. In addition, as part of the preparation for the implementation of the Council's upgraded financials system in August 2014, 91 invoices inherited from the former County and District Councils were written off, amounting to £444,885.16.
  - Twelve debtors had an annual total of write offs which exceeded £10,000. The total was £514,200.78. Nine of which, totalling £381,246.77, were in respect of invoices inherited from the former County and District Councils.

## **Council Tax**

12. During 2017-18 2,425 Council Tax write-offs were performed totalling £732,925.76. The highest of these was for £8,255.40 where the joint debtors were declared bankrupt on the Council's petition. 609 of the write offs were for debts of £1.00 or less.

13. In addition, 1,065 court costs write-offs were performed in 2017-18 totalling £136,850.07.

14. Most of this debt has already 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.

15. Of the £869,775.83 written off in 2017-18, £116,799.39 was in respect of pre Local Government Reorganisation balances.

16. For comparison:

- During 2016-17 2,328 Council Tax write-offs were performed totalling £761,066.52. 802 of the write offs were for debts of £1.00 or less.
  - In addition, 657 court costs write-offs were performed in 2016-17 totalling £86,730.69.
  - Of the total £847,797.21 written off in 2016-17, £125,663.63 was in respect of pre Local Government Reorganisation balances.
  - The write-offs included three cases in excess of £10,000, totalling £54,722.89.
- During 2015-16 1,789 Council Tax write-offs were performed totalling £422,968.71. 920 of the write offs were for debts of £1.00 or less.
  - In addition, 638 court costs write-offs were performed in 2015-16 totalling £88,972.33.
  - Of the total £511,941.04 written off in 2015-16, £104,122.72 was in respect of pre Local Government Reorganisation balances.
  - There were no write offs in excess of £10,000.
- During 2014-15 3,079 Council Tax write-offs were performed totalling £778,225.62. 797 of the write offs were for debts of £1.00 or less.
  - In addition, 1,012 court costs write-offs were performed in 2014-15 totalling £140,331.21.
  - Of the total £918,556.83 written off in 2014-15, £354,542.09 was in respect of pre Local Government Reorganisation balances.
  - There were no write offs in excess of £10,000.

## **Non-Domestic Rates (Business Rates)**

17. During 2017-18 181 Non-Domestic Rates write offs were performed totalling £601,876.72. 47 of the write offs were for debts of £1.00 or less.

18. In addition, 82 court costs write-offs were performed in 2017-18 totalling £9,618.74.

19. Most of this debt has already 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.

20. Of the £611,495.46 written off in 2017-18, £28,810.99 was in respect of pre Local Government Reorganisation balances.

21. The write-offs included 22 cases in excess of £10,000 as follows:

<b>Location of Business</b>	<b>Reason</b>	<b>Amount</b>
Alnwick	Proposal to Strike Off	£11,310.95
Alnwick	Company dissolved	£10,962.84
Ashington	Bankrupt	£17,692.58
Ashington	Bankrupt	£17,260.61
Ashington	Insufficient assets, not viable to pursue further	£15,847.07
Ashington	In Liquidation	£12,694.22
Ashington	In Administration	£10,365.08
Ashington	Company dissolved	£10,236.13
Blyth	Company Voluntary Arrangement	£30,001.70
Blyth	Company dissolved	£14,545.41
Blyth	No assets, not viable to pursue further	£13,349.23
Blyth	Absconded	£10,033.66
Cramlington	Company is insolvent/Proposal to Strike Off	£28,176.44
Cramlington	Bankrupt	£16,880.98
Cramlington	In Administration	£29,304.30
Cramlington	In Administration	£13,152.68
Cramlington	Bankrupt	£11,158.22
Hexham	No assets, company is insolvent	£27,851.18
Ponteland area	Absconded	£10,058.02
Ponteland area	Remission by Magistrates	£23,379.11
Prudhoe area	Absconded	£26,011.61
Seahouses	Dormant company	£13,699.93
		<b>£373,971.95</b>

22. For comparison:

- During 2016-17 165 Non-Domestic Rates write offs were performed totalling £646,337.74. 30 of the write offs were for debts of £1.00 or less.
  - In addition, 86 court costs write-offs were performed in 2016-17 totalling £10,309.50.
  - Of the £656,647.24 written off in 2016-17, £17,763.04 was in respect of pre Local Government Reorganisation balances.
  - The write-offs included 17 cases in excess of £10,000, totalling £407,548.98.
- During 2015-16 230 Non-Domestic Rates write offs were performed totalling £610,378.74. 30 of the write offs were for debts of £1.00 or less.
  - In addition, 120 court costs write-offs were performed in 2015-16 totalling £15,931.27.

- o Of the £626,310.01 written off in 2015-16, £23,912.51 was in respect of pre Local Government Reorganisation balances.
- o The write-offs included 18 cases in excess of £10,000, totalling £281,595.97.
- During 2014-15 169 Non-Domestic Rates write offs were performed totalling £870,985.04.
  - o In addition, 85 court costs write-offs were performed in 2014-15 totalling £8,140.17.
  - o Of the £879,125.21 written off in 2014-15, £32,236.37 was in respect of pre Local Government Reorganisation balances.
  - o The write-offs included 15 cases in excess of £10,000 totalling £597,611.78.

## **Benefit Overpayments**

23. 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.
24. 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.
25. 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.
26. All overpayments of Council Tax Support are administered and collected through the council tax account.
27. During 2017-18, £166,866.27 was written off relating to 339 Housing Benefit overpayments ranging from £0.01 to £12,745.51 with a total value of £163,990.64, and 16 irrecoverable Council Tax Benefit overpayments ranging from £0.01 to £1,238.66 with a total value of £2875.63. The total number of claims involved was only 344 as some related to both Council Tax and Housing Benefit claims.

28. None of the Housing Benefit or Council Tax Benefit write offs were in respect of overpayments identified pre Local Government Reorganisation.

29. The write-offs included one case in excess of £10,000 as follows:

<b>Type</b>	<b>Reason</b>	<b>Amount</b>
Housing Benefit	Bankrupt	£12,745.51

30. For comparison:

- During 2016-17, £142,973.58 was written off relating to 391 Housing Benefit overpayments ranging from £0.01 to £4,622.06 with a total value of £139,131.33, and 13 irrecoverable Council Tax Benefit overpayments ranging from £0.01 to £1,833.09 with a total value of £3,842.25. The total number of claims involved was only 398 as some related to both Council Tax and Housing Benefit claims. There were no write offs in excess of £10,000 in 2016-17.
- During 2015-16, £220,068.46 was written off relating to 353 Housing Benefit overpayments ranging from £0.01 to £13,957.03 with a total value of £203,039.00, and 39 Council Tax Benefit overpayments ranging from £0.01 to £6,277.19 with a total value of £17,977.00. The total number of claims involved was only 368 as some related to both Council Tax and Housing Benefit claims. The write-offs included 2 cases in excess of £10,000, totalling £24,688.03.
- During 2014-15, £155,301.83 was written off relating to 337 Housing Benefit overpayments ranging from £0.05 to £7,194.33 with a total value of £146,505.04, and 36 Council Tax Benefit overpayments ranging from £0.06 to £1,582.67 with a total value of £8,796.79. The total number of claims involved was only 356 as some related to both Council Tax and Housing Benefit claims. The write-offs included 1 case in excess of £10,000, for £11,061.38.

31. During 2017-18, £7,201.04 was written off relating to 12 Council Tax Support overpayments ranging from £43.92 to £1,475.78.

32. For comparison:

- During 2016-17, £20,067.09 was written off relating to 33 Council Tax Support overpayments ranging from £13.24 to £2,081.39.
- During 2015-16, £18,539.35 was written off relating to 38 Council Tax Support overpayments ranging from £7.14 to £1,919.58.
- During 2014-15, £17,868.99 was written off relating to 36 Council Tax Support overpayments ranging from £13.24 to £1,351.99.

## **Housing (Homes for Northumberland) Rent and other debt**

33. During 2017-18 430 Housing write offs were performed totalling £208,310.92. 20 of the write offs were for debts of £1.00 or less.



34. Most of this debt has already 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.

35. The breakdown of the debt written-off in 2017-18 by category is shown below:

<b>Category</b>	<b>No. of accounts</b>	<b>Value</b>
Rent only	103	£16,110.83
Rechargeable Repairs Only	198	£76,901.88
Furniture Recharges only	4	£3,630.65
Rent, Court Costs & Rechargeable Repairs	125	£111,667.56
<b>Total</b>	<b>430</b>	<b>£208,310.92</b>

36. There were no write offs in excess of £10,000 in 2017-18.

37. 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 2014-15, 2015-16 and 2016-17.

## **Adult Social Care**

38. 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.

39. During 2017-18, £43,977.11 was written off relating to 77 Adult Social Care debts.

40. None of this debt has been provided for as doubtful so the financial impact on the Council is a loss of £43,977.11.

41. There were no write offs in excess of £10,000 in 2017-18.

42. For comparison:

- During 2016-17, £11,462.85 was written off relating to 10 Adult Social Care debts. There were no write offs in excess of £10,000.
- During 2015-16, £967.65 was written off relating to 7 Adult Social Care debts.
- During 2014-15, £41,220.24 was written off relating to 5 Adult Social Care debts. There were no write offs in excess of £10,000.

## **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 hope of recovery.

**Legal** None

**Procurement** None

**Human Resources** None

**Property** None

**Equalities** All debt recovery policies and the procedures they use have been subject to an equality impact assessment.

(Impact Assessment attached)

Yes  No  N/A

**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 Considerations** 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

**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:***

	initials
Monitoring Officer/Legal	LH
Executive Director of Finance & S151 Officer	BS
Relevant Executive Director	BS
Chief Executive	DL
Portfolio Holder(s)	NO

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