



REPORT TO EXECUTIVE

PORTFOLIO AREA: FINANCE AND PERFORMANCE MANAGEMENT

Date of Meeting: 19 March 2007

Public

Key Decision: No

Recorded in Forward Plan:

No

Inside Policy Framework

Title: BAD DEBT WRITE-OFFS FOR NNDR, COUNCIL TAX AND DEBTORS (INCLUDING EXCESS CHARGE NOTICES)

Report of: The Director of Corporate Services

Report reference: CORP92-06

Summary & Recommendations:

The Committee is requested to:-

Write-off the sum of £86,675.67 in respect of debts over £1,000.

Note the Director of Corporate Services action in writing off debts totalling £63,815.30 in respect of bad debts under £1,000.

Note that the costs will fall against the 'Write-ons' will be credited as follows:

| | | | |
|------------------|--------------------|------------------|-------------------|
| General Fund | £ 42,852.73 | General Fund | £ 7,223.78 |
| Council Tax Pool | £ 43,462.96 | Council Tax Pool | £ 12,416.07 |
| NNDR Pool | <u>£ 64,175.28</u> | NNDR | <u>£ 1,964.30</u> |
| Total | £ 150,490.97 | Total | £ 21,604.15 |

Contact Officer: Peter Mason

Ext: 7270

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

CITY OF CARLISLE

To: The Executive
19 March 2007

CORP92/06

BAD DEBT WRITE-OFFS FOR NNDR, COUNCIL TAX, AND DEBTORS (INCLUDING EXCESS CHARGE NOTICES)

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 In accordance with the Director of Corporate Services delegated authority for the write-off of outstanding debts under £1000 the Executive is asked to note debts totalling £63,815.30 have been written off, such bad debts are summarised for the Executive's information in Table 1 of this report.
- 1.2 Also itemised in appendices are schedules of other debts exceeding £1000 and the committee is asked to consider the write-off of these debts which total £86,675.67.

| | £ |
|--|-----------|
| Appendix 1 – NNDR | 62,330.08 |
| Appendix 2 – Council Tax | 17,692.23 |
| Appendix 3 – Private Tenant Housing Benefits | |
| Overpayments | 3,589.89 |
| Appendix 4 – Ex Former Tenants Arrears | 3,063.47 |

- 1.3 The 'write-ons' itemised in Table One totalling £21,604.15 are in respect of balances originally written off that have since been paid and credit write-offs.
- 1.4 The write-offs are fully provisioned as explained in paragraph 4.5 below.
- 1.5 A commentary has been provided advising members of the success the Council in improving recovery and reducing 'write off' trends. Also the implications of these improvements in releasing funds for improving service delivery.

2. TABLE ONE

| <u>Type of Debt</u> | <u>Under £1000 No of Accounts</u> | <u>Under £1000 Amount</u> | <u>£1000 & Over No of Accounts</u> | <u>£1000 & Over Amount</u> | <u>Write-Ons Amount</u> |
|---------------------|---|-------------------------------|--|--|-----------------------------|
| | | £ | | £ | £ |
| NNDR | 6 | 1,845.20 | 15 | 62,330.08 | (1,964.30) |
| Council Tax | 88 | 25,770.73 | 10 | 17,692.23 | (12,416.07) |
| Debtors | | | | | |
| Private Tenants | 39 | 6,996.47 | 2 | 3,589.89 | (3,512.23) |
| Housing Benefit | | | | | |
| Overpayments | | | | | |
| General Fund | 21 | 3,001.53 | | | (179.66) |
| Ex HRA | | | | | |
| Penalty Charge | | | | | |
| Notices | | | | | |
| On Street | 362 | 23,295.00 | | | |
| Off Street | | 1,815.00 | | | |
| Ex FTA | | | | | |
| Council Tenants | 2 | 1,056.33 | 1 | 3,063.47 | |
| Benefit | | | | | |
| Overpayments | 1 | 35.04 | | | (3,531.89) |
| TOTAL | <u>519</u> | <u>63,815.30</u> | <u>28</u> | <u>86,675.67</u> | <u>(21,604.15)</u> |

3. **COMMENTARY**

- 3.1 In line with 'Use of Resources' good practice this final bad debts report of the year comments on bad debt write off trends over the last 4 years in informing members whether debt collection recovery procedures are improving (or not). Also the impact of recovery trends on releasing funds for improving service provision.
- 3.2 Noted at appendix 5 and 6 are four year write off trends for NNDR (Business Rates), Council Tax, and Debtors (Ex Former Tenant Arrears, General Debtors, Excess Charge Notices and Benefits Overpayments).

The figures suggest that:

- (i) the overall write off trend (at 2006/07 prices) is improving i.e. approx £700,000 written off in 2003/04 against £500,000 in 2006/07. In percentage terms of the £88.5 million in accounts raised 0.79% was written off in 2003/04 and 0.56% in 2006/07. Overall write off's of less than 1% of total debit raised is excellent performance.
- (ii) NNDR
There is no overall trend for NNDR write off's. This is due to the fact that a majority of NNDR bad debt write offs are in respect of bankruptcies and liquidations.
The number of bankruptcies more reflect the state of the local economy than effective recovery routines. Nevertheless bad debt write offs of £117,968 in 2006/07 only represent 0.37% of debit raised of £31.5m and even the worse year in 2004/05 write offs only represented 0.56% of debit raised.
- (iii) Council Tax
Overall trend is again down with £140,901 or 0.31% of debt of £46m written off in 2006/07 down from 0.51% in 2003/04. This is excellent performance when compared to the national picture with the average over all districts being 0.9% i.e. Carlisle write offs being a third of national average.
- (iv) Debtors
The trend for debtors is increasing marginally (ignoring 2003/04 where housing revenue account debts were still with Council). Write offs for 2006/07 of £240,650 represent 2.19% of debit raised. Percentage write offs are always higher for sundry debts due to the type of debts being recovered e.g. housing benefit overpayments and the mobility of such debtors e.g. Penalty Charge Notices (car parking).
- (v) Appendix 6
Appendix 6 breaks down debtor accounts by type. Ignoring ex former tenant arrears which are reducing due to no new debts being raised, the trend for general debts is significantly down but benefit overpayments and particularly Penalty Charge Notices is up.

Benefit overpayment 2006/07 write offs of £182,680 or 13.8% of debts raised is due to the success of the Council in detecting benefit fraud. Whilst such success stops fraudulent benefit being paid out, the recovery of large

fraudulent overpayments from low income and very mobile debtors is difficult.

The biggest trend increase in bad debts is in respect of Penalty Charge Notices. Recovery of such bad debts has been particularly difficult in recent years, particularly as initially when 'on street' parking was introduced a less stringent approach was taken whilst drivers got used to the new parking restrictions (and the fact that the Council more rigorously enforced parking restrictions than the Police by the issue of PCN's).

Bad debt write offs in 2006/07 of £141,490 or approx 20% of debit raised is up from 5.5% of debt raised in 2004/05. Whilst there is approximately £300,000 worth of bad debt write off still in the 'pipeline' to be written off in 2007/08, unpaid penalty charge notices are now routinely referred for Court and bailiff action. Longer-term trends should therefore stabilise for the 2008/09 financial year.

3.3 The impact of improved collection performance (and therefore reduced write offs) can be best illustrated by appendix 7.

- a) In year Council Tax collection rates have increased from 95.7% in 1999/2000 to 97.2% in 2006/07. This improvement has enabled it to reduce its 'losses on collection' provision from 2.0% to 1.5%. The impact of this is to release £7.09 on overall Council Tax (at 2007/08 Band D Council Tax Levels) to support service provision.
- b) Overall bad debt provision (against all bad debts) has reduced from £3.91m as at 31.03.2002 (2002 figure included HRA provisions) to £1.81m in 2006/07 (at 2006/07 prices) releasing £63.73 (at 2007/08 Band D Council Tax Levels) to support service provision.

3.4 Significant year on year improvements in overall debt collection (and reduced write offs) evidenced in this report has provided significant additional funds for the Council in supporting the service provision. In future years further benchmarking will be attempted against other Authorities (if comparative data is available) to further inform members of our performance relative to the national picture.

4. CONSULTATION

4.1 Consultation to Date.

4.2 Consultation proposed.

5. RECOMMENDATIONS

The Committee is requested to:-

5.1 Write-off the sum of £86,675.67 in respect of debts over £1000.

5.2 Note the Director of Corporate Services action in writing off debts totalling £63,815.30 in respect of bad debts under £1000.

5.3 Note that the costs will fall against the

| | | |
|------------------|---|--------------------|
| General Fund | - | £ 42,852.73 |
| Council Tax Pool | - | £ 43,462.96 |
| NNDR Pool | - | <u>£ 64,175.28</u> |
| | | £150,490.97 |

5.4 'Write-ons' will be credited as follows:

| | | |
|--------------|---|-------------------|
| General Fund | - | £ 7,223.78 |
| Council Tax | - | £ 12,416.07 |
| NNDR | - | <u>£ 1,964.30</u> |
| Total | | £ 21,604.15 |

5.5 In the case of General Fund the Write-offs will be charged against provisions made for bad debts (except for PCN's which are accounted for on a cash basis). However VAT which has been separately identified will be recouped in future VAT returns. Note HRA debts and provisions have been transferred to the General Fund. Write-off/write on of Council Tax will fall against the pool provisions within those accounts. Any Council Tax Court Costs written off will be charged against the costs 'Bad Debt' provision within the General Fund.

6. REASONS FOR RECOMMENDATIONS

Debt irrecoverable

7. IMPLICATIONS

- Staffing/Resources – Not Applicable
- Financial – Included within the report.

- Legal – Not Applicable
- Corporate – Not Applicable
- Risk Management – Not Applicable
- Equality Issues – Not Applicable
- Environment – Not Applicable
- Crime and disorder – Not Applicable
- Impact on the Customer – Not Applicable

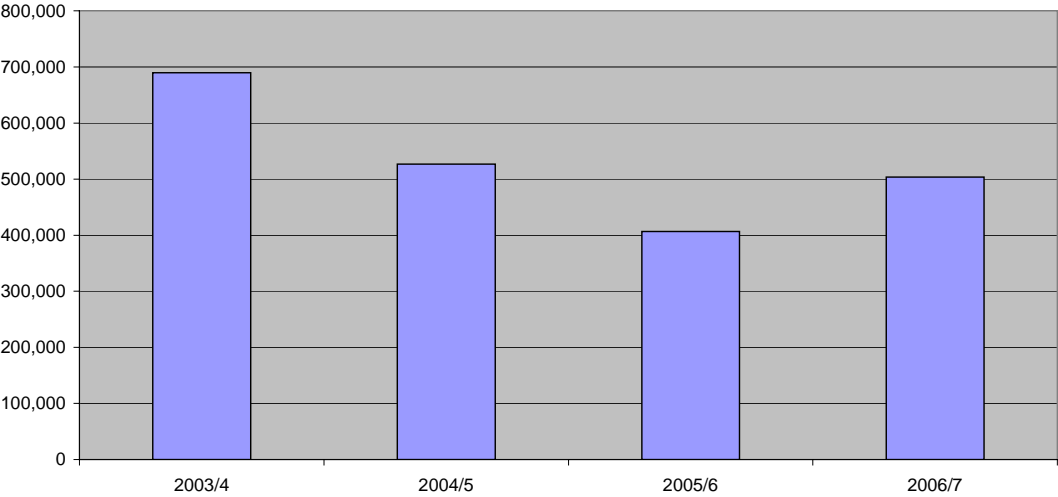
P MASON
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APPENDIX 5

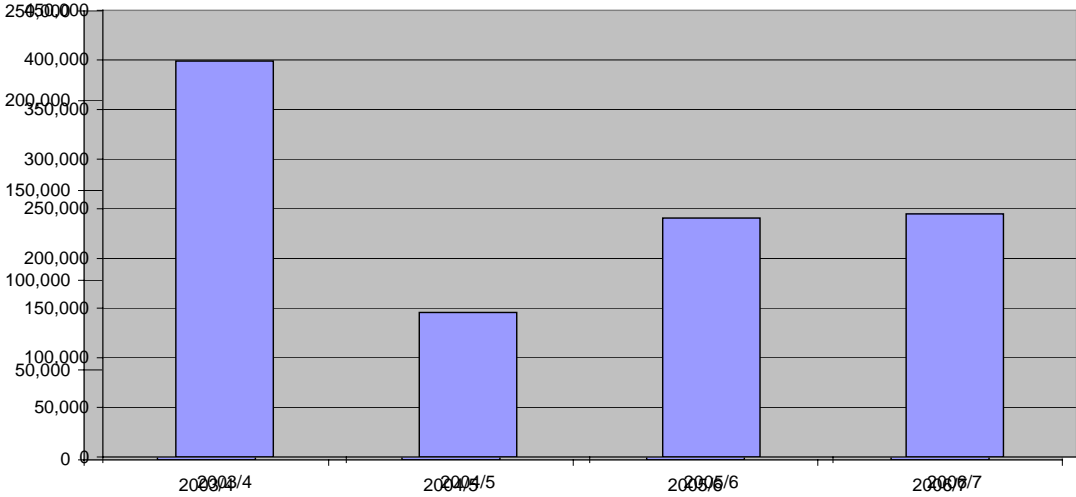
Total as at 2006/7 prices
W/Offs

Total
W/Offs



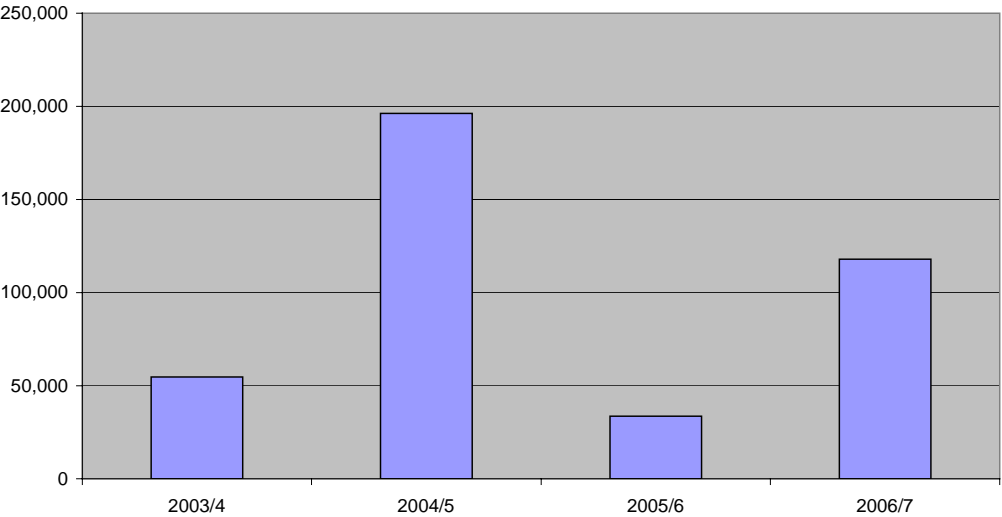
Debtors as at 2006/7 prices
W/Offs

Debtors
W/Offs



NNDR adjusted to 2006/7 prices
Write Offs

NNDR
Write Offs



APPENDIX 6

Debtors Write Offs breakdown as at 2006/7 prices

