

Report to: Executive Board 30th November 2004

WRITE OFF OF UNCOLLECTABLE DEBTS

<p>Report of: Strategic Director of Finance and Corporate Services</p> <p>Report Authors: Mark Luntley, Strategic Director 01865 252394 mluntley@oxford.gov.uk</p> <p>Anne Harvey Lynch Revenues Manager 01865 252638 aharveylynch@oxford.gov.uk</p> <p>Lead Member Responsible: Cllr Alex Hollingsworth (Financial Stability)</p> <p>Scrutiny Committee Responsibility: Finance</p> <p>Key Decision: Yes</p>	<p>Wards Affected</p> <p>All</p>
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Summary and Recommendations

In an average year Oxford collects £150m of income. This total includes £57m in business rates, £49m in council tax and £25m in housing related rents. Benefit overpayments, commercial rents and day-to-day debts make up the rest of this total.

Some people and organisations do not pay what they owe and, though we chase these accounts, some debts will not be recoverable. Officers have gone back over aged debts and worked out which cannot be realistically recovered. This report recommends those irrecoverable debts are written off - in line with normal commercial practice.

The debts will be written off against provisions that have been set aside over the years for this specific purpose.

This report supports the Council vision as it will contribute to maintaining financial stability.

The Executive Board is recommended to:

Agree to write off the debts listed in Appendix 1

Agree to write off the debts in Appendix 2 if recovery action is not successful within 9 months.

1. Introduction

- 1.1 Oxford City Council has put in considerable efforts into collecting its overdue debts. Members have agreed; targets for reducing arrears, new debt recovery policies and write off limits.
- 1.2 Members are able to monitor recovery performance by recent reports to Committee and through the monthly “blue books”.
- 1.3 Officers have gone back over debts and have identified some accounts with irrecoverable debts. In most cases the amount can be been written off under officers’ delegated powers and officers will take the appropriate action.. In a minority of larger cases the write off requires Executive Board authorisation and these are included in this rept..

2. Why we write off debts

- 2.1 Nearly all organisations that collect income will have to write off debts. Indeed as debts show in our accounts as an asset, not writing off debts that we cannot collect overstates those assets.
- 2.2 The main reasons debts are written off are because of bankruptcy, or the debtor has died or cannot be found even after extended chasing.
- 2.3 This report writes off arrears which have built up over several years, and which ordinarily would have been written off earlier.
- 2.4 Each year we work out how much we need to be put into a bad debt provision¹ based on the age structure of our debts. We write off bad debts against those provisions.
- 2.5 Business rates and council tax are written off against provisions held in our “collection account”. This is a separate account which we operate on behalf of the three precepting authorities (the city and county councils and the police).

¹ A provision different from a reserve - it can only be used for the purpose it is created, these provisions do not form part of the £3m figure quoted to Members.

3. Recommendations for write off

All recommendations for write off are in Appendix 1 and are for the following income areas.

Council Tax

- 3.1 Most council tax arrears are below £5,000 (because council tax demands tend to be smaller). There are very few cases that are above this amount and cannot be collected. Executive Board has agreed the use of bankruptcy proceedings for debtors who can pay, but who choose not to.

Non-domestic (or business) rates

- 3.3 The bulk of write offs fall into this category, this is because we raised £57m of these (so even a small percentage tends to add up) and the individual debts are often quite large and cannot be written off under delegated powers. The majority of these debts arise are not recoverable because the businesses involved are insolvent. Others are included for write off because they are time-barred. Account numbers 703831116 and 706294913 (both belong to the same debtor) have been to the Executive Board with a recommendation for write off in March 2002. Executive Board recommended we pursue recovery. Due to incomplete supporting evidence and the age of the debt it has not been possible to recover this money.

Sundry debtors (including benefit overpayments)

- 3.4 These are non-statutory debts and cover a range of different activities. They include irrecoverable benefit overpayments and debts raised on departmental debtor systems (e.g. City Works).

Housing debts

- 3.5 Housing manage two main types of income; Housing Revenue Account (HRA) rents which are for tenants in council houses, and homelessness rents for people placed in homelessness accommodation.
- 3.6 Both these debt totals are further split into current and former arrears - collecting unpaid rents from HRA or homelessness clients.

4. Other outstanding debts

There are a number of other outstanding debts that will be subject to recovery action but where we judge the prospects of successful recovery to be limited. These are set out in Appendix 2. Efforts will be made to recover these debts²

² If new information, or other payments are received, any debts previously written-off will be resurrected

and it is our intention to consider writing off these debts if recovery is not successful in 9 months.

Provisions for Debts

The Council holds provisions for the write-off of debts. These are shown in Appendix 1. The provisions are adjusted annually and monitored on a monthly basis. The impact of these write-offs is to reduce the provisions. Projections to year end suggest that whilst most of the provisions will require the top-ups earmarked in the budget, there may be £55,000 spare in the Sundry & Periodic provision that can be returned to balances. This will be confirmed in the 3rd quarter monitoring report.

5. Conclusion

Effective debt recovery is a key priority for the council. Writing off old and irrecoverable debts that built up many years back ensures staff focus on collecting money now.

This report has been seen and approved by:

**Sarah Fogden Finance Business Manager
Sue Brown, Legal and Democratic Services
Portfolio Holder – Councillor Alex Hollingsworth**

Background papers: None

and credits will be applied.