

Debt write offs during the period 1 April 2014 to 31 October 2014

- 1 The finance procedures rules require the chief finance officer to report details of amounts over £2,000 written off to Cabinet for information purposes.
- 2 The table below sets out the numbers and amounts written off for individual debts exceeding £2,000 for the period 1 April 2014 to 31 October 2014:

Income type	1 April 2014 to 31 October 2014		1 April 2013 to 31 October 2013
	Number of cases	Amount £'000	Amount £'000
Council tax	2	10	5
Business rates	13	104	50
Benefit overpayments	2	9	13
Debtors	4	56	32
Total	21	179	100

- 3 The finance procedure rules state that the chief finance officer has determined the following authorisations for writing off uncollectable debt:
 - Under £150 – individual service managers
 - Between £150 and £500 – revenues manager
 - Between £500 and £2,000 – head of benefit and exchequer services
 - Between £2,000 and £20,000 – chief finance officer
 - For write off of amounts exceeding £20,000 the chief finance officer shall seek agreement from the relevant Cabinet member responsible for resources. For the period 1 April 2014 to 31 October 2014, there was one case exceeding £20,000 being a write off of £40,237 relating to a debtor. The debt was for commercial rent with the tenant going into receivership and no monies available for distribution to creditors.
 - The chief finance officer shall report details of amounts over £2,000 written off to Cabinet twice a year for information purposes.
 - Write off amounts above £2,000 relating to other directorates require the recommendation of the relevant director.
- 4 In general debts considered for write off fall into the following categories:
 - Bankruptcy or liquidation

- Debt relief order
 - Remitted by Magistrates at a committal hearing
 - Unable to trace debtors
 - Debtor deceased with no estate
 - No further action possible
- 5 The business rate write off amounts can be analysed further as follows:
- Bankrupt or liquidation – 10 cases totalling £80k
 - No viable recovery options – Two cases totalling £19k
 - Unable to trace company – One case totalling £5k
- 6 For business rates, irrecoverable amounts are charged to the collection fund and therefore the council is liable for 49% of the value of any amounts written off.
- 7 For benefit overpayments, the council can claim subsidy (from the Department for Work and Pensions) on all recoverable amounts. The recoverable amounts can range from 0% to 100% depending on the reason for the overpayment, but generally around 40% is received back in subsidy.
- 8 Irrecoverable amounts for sundry debtors are recharged to the originating department.
- 9 For bankruptcies and liquidations, a claim is lodged with the receiver and no further effective action can be taken as, under current legislation, local authority debts are non-preferential.
- 10 An individual with debts of less than £15,000 and a low income can apply for a debt relief order if they cannot afford to pay off their debts. It is granted by the Insolvency Service and is a cheaper option than bankruptcy.
- 11 Council tax and business rates cases are, where possible, progressed to the committal stage of recovery. Although the Magistrates Court has the power to remit part or all of the debt, the amount remitted is written off.