

# Debt Write Offs



**Report to:** Scrutiny Committee

**Date:** 9 July 2024

**Portfolio Holder:** Councillor Michael Hardware, Portfolio Holder for Finance

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## Executive Summary

- A** This report provides details of the process followed when considering the write off of bad debts and provides background to the debt write off report being presented to Cabinet for approval on 11 July 2024.
- B** Uncollectable debts that require write off require formal approval, which is a key financial control in respect of income due. The Council's Financial Regulations set out the approval limits for debt writes offs by position held;

| <b>Write off Limits (Debits &amp; Credits)</b>              | <b>Limit</b> |
|---|--------------|
| Portfolio Holder in consultation with S151 Officer          | £20,000      |
| Chief Executive & Section 151 Officer                       | £5,000       |
| Directors (Heads of Service)                                | £2,000       |
| Assistant Director Revenues & Benefits & Housing Operations | £1,000       |

- C** Write-off requests relating to Council Tax, Non Domestic Rates, Housing Benefit overpayments, sundry debts, and Housing Rents are presented to Cabinet where the amount exceeds £20,000.

## Recommended that:

- A** Scrutiny acknowledge the debt write off processes and internal controls in operation.

## **Reason for decision**

- A** To provide the background to debt write offs requiring Cabinet approval.

## **Other Options**

- A** Debts are only presented for write off where there are no other options for recovery as all other options have been exhausted.

## **Background**

1. Harlow Council collects a range of income, namely; Council Tax, Non Domestic Rates, Housing Rent, Sundry income, and housing benefit overpayments.
2. In collecting the above income, services comply with the statutory requirements to collect amounts falling due, utilising legal enforcement options when required. Where all legal options for recovery have been exhausted, it is prudent to consider whether the debt should be written off.
3. Debts will be considered for write off in the following circumstances.
  - Personal Bankruptcy and the debt forms part of the bankruptcy.
  - Debt Relief Order (DRO) and the debt is included in the DRO.
  - Individual is deceased, with no estate.
  - Debtor has absconded, no trace.
  - Uneconomical to collect (small balances and no ongoing liability)
  - Order of a Court to remit part or all of debt.
  - Company Insolvency
  - Dissolution of Company
  - Individual / Company Voluntary Arrangement where payments have been received as agreed, and the end of the arrangement period is reached.
4. The Council's Financial Regulations stipulate that as a key control for financial and operational control systems, there should be segregation of duties, authorisation and approval procedures. The process to identify debts that require write off and the authorisation / approval is segregated in that officers will identify debts that require write off, the requests are then reviewed by a senior manager, before being passed to the relevant authorised approver for consideration. In the Revenues & Benefits service the Assistant Director also undertakes a further review of debts that require the approval of the Council's S151 officer, the Portfolio Holder and Cabinet.
5. Once debts have been approved for write off, the debts are written off in the relevant financial systems, with the action undertaken by an officer not involved in the above process, satisfying the requirement for internal financial controls. Records of the debts

written off and the authorised approval are held securely, and available as evidence for the Council's internal and external auditors.

6. A recent internal audit report (May 2024) of council tax & non domestic rates found;

“A sample of six write off batches were reviewed and this showed they had been reviewed and authorised in accordance with Financial Regulations, including authorisation by the Section 151 Officer in a case where the write off was below £5,000 but above £1,000.”

“It was confirmed that there is adequate segregation of duties within the debt write off processes. Revenues & Benefits staff must declare any conflicts of interests annually and an individual is then blocked from accessing any accounts linked to their signed declaration.”

7. There are occasions where credit balances can arise, and it has not been possible to repay the monies to the debtor. In these circumstances, the process to obtain approval to write off mirrors that of uncollectable debts.

### **Issues/Proposals**

8. Whilst action is taken to minimise debt write offs, the Council does make provision for doubtful debts.
9. Write offs relating to Council Tax and Non domestic rates are accounted for in the Collection Fund and are shared with the precepting bodies in accordance with collection fund accounting principles.
10. Write offs in respect of sundry debts, are accounted for in the General Fund.
11. Write offs in respect of Housing Rents are accounted for in the Housing Revenue Account.

### **Implications**

#### **Equalities and Diversity**

An Equality Impact Decision Tree has been completed and is appended to the Debt Write off Report prepared for the Cabinet meeting of 11 July 2024.

#### **Climate Change**

No climate change implications have been identified

#### **Finance**

There are levels of control with the organisation to manage debt write offs as stated in the report in line with the financial regulations of the constitution. The council holds a balance for

provision for doubtful debts on its balance sheet and makes revenues charges to the general fund and HRA as write offs occur in the year.

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### **Governance**

None, this report is for Member acknowledgement and in preparation for a cabinet decision.

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### **Appendices**

Appendix 1 – Cabinet Report, Debt Write Offs

### **Background Papers**

None

### **Glossary of terms/abbreviations used**

DRO – Debt Relief Order