

CABINET

Agenda Item: 11

Ward: ALL
Portfolio: Finance

Report Author(s): Corporate Finance / Cllr Parham
Meeting Date: 5 December 2016

SUBJECT: Amending the Debt Write off Thresholds

	Seen by:	Name	Date
Report Sign off	Chief Executive/ Deputy Chief Executive(s)	Stuart Brown	23 November 2016
	Legal	Donna Nolan	23 November 2016
	Finance	Duncan Moss	23 November 2016
	Group Manager	Paul Deal	23 November 2016
	Portfolio Holder	Cllr Parham	23 November 2016
	Ward Member(s)	ALL	
Summary:	<p>A significant part of the 5 Councils partnership benefits and efficiencies is the harmonisation of policies and procedures. In reviewing the income collection policies, it is evident that Mendip has considerably lower debt write off thresholds. This report seek to increase the limit to align with the other councils. No changes are proposed to debt collection procedures.</p>		
Recommendation:	<p>The Leader and Cabinet are recommended to agree to amend the financial procedures rules and recommend to Full Council to increase the debt write off threshold to:</p> <ul style="list-style-type: none"> • Up to and including £5,000.00 – delegated authority to the Section 151 Officer in consultation with the relevant Portfolio Holder. The S151 officer may delegate to Deputy Corporate Finance Advisor as required • £5,000.00 and over – referred to Cabinet. 		
Direct and/or indirect impact on service delivery to our customers and communities:	<p>The current levels of write off remains within the provisions made when the budget was set. As such there is no impact on service delivery.</p>		
Contribution to Corporate Priorities:	<p>Failure to collect monies due reduces the Councils ability to supporting economic development and growth or improve the health and wellbeing of the residents and communities.</p>		

Legal Implications:	It is a statutory requirement for Mendip District Council to act as the “billing authority” for the collection of council tax and business rates in Mendip. Mendip also administers housing benefits and so is also required to recoup any overpayment.
Financial Implications:	<p>Income, whether through Council Tax, Business Rates, Fees and Charges or the recoupment of overpayments in Housing Benefits is a significant aspect of the council’s finances. Failure to collect monies due will have a detrimental impact on the authority’s finances</p> <p>Council tax provides a significant and increasing level of income for not only Mendip District Council but also Somerset County Council, the Police Authority and the Fire and Rescue Service.</p>
Impact on Service Plans:	<p>The management and monitoring of Mendip’s income collection, including the use of Tracing and Enforcement Agent action, is included in the Customer Services, Revenues, Benefits and Fraud service plan.</p> <p>Fee Income is also a vital aspect of many services and the collection of all income ensures that the service is able to operate at current service levels.</p>
Value for Money:	The effective management of the Council’s debts is a key element in providing value for money and ensures the best use of the Council’s resources
Equalities Implications:	<p>The debt recovery process meets the equalities standards set by the Council.</p> <p>Council tax, Business Rates and Housing Benefits recovery policy and procedures are covered in the equalities impact section of Mendip’s Customer Services, Revenues and Benefits Service Plan.</p>
Risk Assessment and Adverse Impact on Corporate Actions:	All available avenues have been pursued in recovering this money from the debtors. This includes the use of independent tracing agents and bailiff companies.
Scrutiny Recommendation (if any)	The recovery process was reviewed and endorsed by Cabinet in July 2015.

INTRODUCTION

Under the Accounts and Audit Regulations 2003 (as amended by the 2006 and 2009 Regulations), bad debts should not be written off without approval of the responsible financial officer, or such member of staff as is nominated by him or her for this purpose. There are no equivalent rules for credit balances although it is prudent to have these written off on a regular basis.

Both internal and external audit need to be satisfied any write off policy is both robust and transparent. At the same time, there needs to be a mechanism for reporting write offs through to members. A debt should only ever be written off in accordance with the policy agreed my members.

The council has a threshold level of £500 for all debt write off. Under this value, the S151 officer, or his nominated deputy for this purpose can write off debts. Above this value, the debt is reported to Cabinet for write off.

Any change to the threshold level will need to be ratified by Full Council.

BACKGROUND

Whilst collecting the monies due, in accordance with legislation, over the years the Council has sought to do so through fair and reasonable methods and this includes referring some debts to Enforcement Agents as a last resort.

Earlier in the year, a Task & Finish Group reviewed the collection procedures, and particularly the use of Enforcement Agents and made a number of recommendations which should mean the Council can maintain and even improve its collection rate and recovery procedures whilst accepting that there is a need to facilitate awareness and actions where debtors face difficulties in paying.

That review identified that unlike many Councils, Mendip's collection rate has increased over the past few years to 98% at the same time as the extent of recovery action, including referrals to Enforcement Agents has decreased.

This trend has been noted by the Money Advice Trust who in September 2015 stated: *"I would like to congratulate you for being amongst the nearly half of local authorities that have reduced their reliance on bailiffs for debt collection since two years ago, when we last researched this issue"*.

This is further supported through Cllr John Parham, Portfolio Holder for Finance, Governance and Corporate Services, being invited to Westminster to address the All Party Parliamentary Group, as Mendip's methods had been highlighted as best practice by the Money Advice Trust.

OPTIONS CONSIDERED

The Council could continue with its current debt write off threshold.

In reviewing the proposal, various threshold values have been considered, including those proposed by the Task and Finish Group. However to increase the efficiency of

the process, and to harmonise with the other Authorities in the 5 Councils partnership, it is recommended to increase the threshold.

The current process of reporting to Cabinet provides the opportunity for local members to review the list of debtors as a final check to see they are aware of the individuals whereabouts. Although this has very rarely resulted in sufficient evidence to enable collection, this 'check' can continue. The proposed lists of write off under £5,000 can be share electronically with members two weeks prior to the decision to be taken. Members will be asked to provide a full postal address for any debtor they recognise.

RECOMMENDATIONS

The Leader and Cabinet are recommended to agree to amend the financial procedures and recommend to Full Council to increase the debt write off threshold to:

- **Up to and including £5,000.00 – delegated authority to the Section 151 Officer in consultation with the relevant Portfolio Holder. The S151 officer may delegate to Deputy Corporate Finance Advisor as required**
- **£5,000.00 and over – referred to Cabinet.**

REASONS FOR RECOMMENDATIONS

Increasing the debt write off threshold will enable the authority to benefit from economies in the process and align with the other authorities within the 5 Councils partnership.

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List of background Papers:

- Council Constitution
- Council Tax Recovery / Enforcement Agents Review Task and Finish Group report