



AUDIT COMMITTEE REPORT

Report Title	COUNCIL DEBT
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	2 nd December 2008
Policy Document:	No
Directorate:	Finance & Support
Accountable Cabinet Member:	Councillor Malcolm Mildren

1. Purpose

- 1.1 To outline to the Audit Committee the overall movement in movement in debt and bad debt provision between 2006/07 and 2007/08.

2. Recommendations

- 2.1 That the report be noted;
- 2.2 That the Audit Committee consider whether there are additional queries arising from this report and whether the Committee requires additional information on any specific aspects.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Audit Committee at its meeting of 24th June 2008 requested that a number of reports be produced and presented to the Committee at a future meeting.
- 3.1.2 Overall the level of debt carried by the Council remains broadly similar between the two years. However, the make-up of that debt and the level of bad debt provision relating to that debt has changed. A summary of this is shown at Appendix 1.

3.2 Sundry Debtors

- 3.2.1 The overall level of debt has reduced by £1.5m from £6m in 2006/07 to £4.5m in 2007/08. Over the same period, the bad debt provision has risen by £2m from £1.2m in 2006/07 to £3.2m in 2007/08.
- 3.2.2 Within these figures, there have been some major changes. Specifically an increase in the reported level of housing benefit overpayment debt and a reduction in debt relating to the cessation of trading within the Highways service and the sale of the trade waste operation.
- 3.2.3 The changes in the reported level of housing benefit debt relates to additional reporting information becoming available from the Council's Housing Benefits system for 2007/08 compared to 2006/07. There are some inconsistencies in this reporting which are under investigation and due to these, plus the nature of the debt making it hard to collect, a decision was taken to set the bad debt provision at 100% in order that there was no overstatement of collectible income due to the Council for the 2007/08 financial year. There is a separate report on housing benefits overpayments on this agenda.

3.3 Local Taxpayers

- 3.2.1 The level of debt outstanding has fallen by £365k between 2006/07 and 2007/08 whilst the level of bad debt provision against that debt has increased by £210k. This situation has occurred due to the aging profile of the debt. This is linked to the collection fund debtor considered below.

3.4 Housing tenants

- 3.4.1 The level of debt outstanding has risen by £775k between 2006/07 and 2007/08 whilst the level of bad debt provision against that debt has increased by a slightly higher amount of £873k.
- 3.4.2 The reason why the provision has risen by more than the level of debt due is related to the categorisation of debt – it appears that the primary increase in debt relates to former tenant arrears. Due to the nature of former tenant debt, it is harder to collect than debt relating to current tenants. This debt therefore attracts a higher bad debt provision. Audit Committee requested detailed information on housing tenant debt at its meeting of 24th June 2008. There will be a separate report on housing rents on this agenda which is to follow.

3.5 Collection Fund

- 3.5.1 The balance on the collection fund is reported in the accounts according to whom that balance is due to or from. Balances due to / from Northampton Borough Council remain in the accounts as a collection fund balance. Balances due to / from Northamptonshire County Council and Northamptonshire Police Authority are represented as debtors or creditors.
- 3.5.2 Deficits on the collection fund can arise for a number of reasons:
- The tax base has been set too high;
 - The assessment of the collectable level of council tax debt is overly optimistic; and / or
 - The Council is not robust enough in its collection procedures.

3.5.3 The reason for the deficit within 2007/08 appears to have arisen because of an increase in provision due to the aging profile of the debt combined with an overly optimistic assessment of the collectible levels of council tax debt dating back some 6 or 7 years.

3.5.4 There is a separate report on Local Taxpayers debt on this agenda.

4. Implications (including financial implications)

4.1 Policy

4.1.1 Not applicable.

4.2 Resources and Risk

4.2.1 Overall the level of debt carried by the Council remains broadly similar between the two years. However, the make-up of that debt and the level of bad debt provision relating to that debt has changed. A summary of this is shown at Appendix 1.

4.2.2 Non-recovery of debt has an adverse impact on the Council's revenue position.

4.3 Legal

4.3.1 Not applicable.

4.4 Equality

4.4.1 Debt is normally owed by some of the more vulnerable residents and more robust recovery methods would inevitably have an impact on them.

4.5 Consultees (Internal and External)

4.5.1 None

4.6 Other Implications

4.6.1 None

5. Background Papers

5.1 None

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