

Cabinet

22 January 2019

Report of:	Portfolio Holder for Corporate Finance and Resources
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WRITE OFF OF IRRECOVERABLE DEBTS

1.0	Corporate Priority:	Decision Type:
1.1	OG1 Customer Focus	Key Decision
1.2	OG3 Becoming a more agile and commercial Council; securing our financial future	
1.3	PP2 Tackling Vulnerability	

2.0	Summary:
2.1	The purpose of this report is to seek approval to write off debts, over the value of £2,500, where officers believe that there is little or no prospect of recovering them.

3.0	Recommendations
3.1	That Cabinet approves the write off of debts shown in the Appendices

4.0	Reason for Recommendation:
4.1	All recovery methods have been considered and where appropriate pursued, before making the decision to write off.
4.2	Officer time can be maximised on greater returns, at the same time as ensuring robust procedures for debt management are in place across all revenues streams.

5.0	Alternate Options Considered
5.1	The debts in question are not written off and we continue to attempt to pursue and recover. This would mean officer time would be diverted away from recovering debts where there is more realistic chance of recovery.
5.2	This could in turn lead to the Council being criticised by external auditors for not following debts management and accounting procedures.

6.0	Report Detail
6.1	The Council collects Council Tax, Business Rates, Rents and Sundry Debtor Income. Every effort is made to collect all monies due by the most appropriate and effective method. This includes but is not limited to reminder letters, attachment of earnings and benefits and special arrangements to pay.

6.2 The Council has a good track record of collecting debt, the council tax collection rate for 2018/19 was 98.2%, business rates 98.5% and rent collection including arrears was 94.51%

6.3 In the context of these collection rates, the level of proposed write offs is relatively low. The Council's Constitution and supporting Financial Regulations delegates the responsibility for writing off individual debts up to and including £2.5k to the Director for Corporate Services under the scheme of delegation. Above this threshold debts (greater than £2.5k) are written off by the Cabinet. Cabinet are being asked to write off debts of £148,792.42 which officers believe cannot be recovered.

The need to write off debt can arise for a number of reasons, including the debtor being untraceable, ceased trading with no assets, or deceased with insufficient funds in the estate. All methods of recovery are considered and pursued in line with legislative provision, before making the decision to write off. This can include internal recovery action, use of debt collection agents, external tracing agents and procedures through the Courts.

6.4 All debt approved for write off will be set against existing bad debt provisions and can be resurrected in full or in part at any time should new information come to light suggesting that they might be recoverable after all. In all cases collection options have been exhausted and there is no realistic prospect of recovery.

Debts arising from absconders are thoroughly investigated using our enforcement agent tracing services and third party tracing agents prior to a request for write off. Should the debtor be discovered at a later date the write off will be reversed and the debt reinstated.

6.5 With the current economic climate, taxpayers may find it harder to pay local taxes such as Council Tax and Non Domestic Rates and as such, there may be an increase in the number of taxpayers who abscond with arrears owing. By not writing off bad debts efficiently, this can affect collection rates by inflating arrears figures.

The table below summarised amounts outlined in Appendix A that are being requested for write off

<u>Fund</u>	<u>Value</u>
Council Tax	£45,110.88
Business Rates	£47,424.14
Sundry Debtors	£5,045.64
Rents	£51,211.76

The table below is an analysis of what has been written off in previous years

<u>Fund</u>	<u>Year 2015/16</u>	<u>Year 2016/17</u>	<u>Year 2017/18</u>	<u>Year 2018/19</u>
Council Tax	£287,728	£239,382	£114,744	£163,955
Business Rates	£156,194	£122,815	£211,680	£190,050
Sundry Debtors	£13,902.65	£57,800.75	£113,056.31	£32,472.40
Rents	£85,604.74	£39,700.20	£30,718.14	£60,761.37

7.0	Consultation and Feedback (including Scrutiny Committee)
7.1	The portfolio holder has been consulted in the production of this report.
8.0	Next Steps
8.1	Once authorised the debts in question are written off within the applicable systems and the relevant write off reconciliation will take place within the Revenues team.
9.0	Financial Implications
9.1	<p>Clear processes for the writing off of irrecoverable debts represent sound financial management practice. Provision for bad debts is also made in the Council accounts.</p> <p>Write offs reduce the existing bad debt provisions, with a new provision considered at the end of each financial year based on the amounts outstanding at the time.</p>
10.0	Legal and Governance Implications:
10.1	Cabinet approval is required for the write off of debts in excess of £2,500 as per the Council's Financial Procedure Rules.
11.0	Equality and Safeguarding Implications:
11.1	An Equality Impact Assessment has been undertaken and this should be referred to for full details on any implications. As part of the Equality Impact Assessment it was detailed Melton Borough Council will adopt a consistent approach when considering debts for write off. Ensuring that all cases are assessed against the same criteria
12.0	Community Safety Implications:
12.1	There are no community safety implications arising from this report.
13.0	Other Implications
13.1	There are no other implications arising from this report.
14.0	Risk & Mitigation:
14.1	By the nature, volumes and value of annual revenue to the Council there will always be uncollectable amounts which will be recommended for write off once avenues to recover are exhausted. Provision for bad debt is made and reviewed regularly.
14.2	If proper debt management and accounting procedures are not following in the management and writing off of debt the Council could be criticised by external audit.
Background Papers:	
There are no additional background papers to the report.	

Appendices

Appendix 1 – Council Tax Debts
Appendix 2 – Business Rates Debts
Appendix 3 – Sundry Debtors Debts
Appendix 4 – Rents Debts

The appendices above are marked “Not for publication” as they contain exempt information, namely information which is likely to reveal the identity of an individual.

	Report Timeline:	Date of sign-off: <i>(initials and date)</i>
	Equalities Check & Challenge	N/A
	SLT Sign off	N/A
	Previously Considered by Cabinet	N/A
	Director Approval	02.01.20 KA
	Legal Approval	14.01.20 KS
	Finance Approval	13.01.20 DG
	Chief Finance Officer Sign Off	13.01.20 DG
	Monitoring Officer Sign Off	14.01.20 AW
	Consultation with Portfolio Holder	14.01.20 RdB

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