



# Cabinet

22 April 2020

**Report of:** Councillor Ronnie de Burle -  
Portfolio Holder for Corporate  
Finance and Resources

## Write Off Of Irrecoverable Debts

<b>Corporate Priority:</b>	Ensuring the right conditions to support delivery.
<b>Relevant Ward Member(s):</b>	N/A
<b>Date of consultation with Ward Member(s):</b>	N/A
<b>Exempt Information:</b>	Appendix 1 & 2 of this report contains exempt information and are not for publication in accordance with Paragraph 1 & 3 of Part 1 of Schedule 12A of the Local Government Act 1972. Further details can be seen in paragraph 17.1 below.
<b>Key Decision:</b>	No
<b>Subject to call-in:</b>	No

### 1 Summary

- 1.1 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.

### 2 RECOMMENDATION(S)

That Cabinet 2.1 Approves the write off of the debts shown in Appendix 1 & 2.

2.2 Notes the action taken by the Council to recover outstanding debts.

### 3 Reason for Recommendations

- 3.1 All recovery methods have been considered and where appropriate pursued, before recommending that debts are written off.

- 3.2 Officer time can be maximised on greater returns, focusing on debts where there is more realistic chance of recovery.

## **4 Background**

- 4.1 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.
- 4.2 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%
- 4.3 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 £6,686.15 which officers believe cannot be recovered.
- 4.4 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.
- 4.5 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.
- 4.6 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.
- 4.7 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.
- 4.8 All recovery action is now carried out in line with the newly adopted Corporate Debt Policy. There is an increased focus on improving the Council's current debt position. The Council are keen to take an increased grip on the current debt position. Making us a more agile Council and securing our financial future. It is recognised this is an area that needs some improvement, we are looking to allocate additional resource in this area both through the corporate strategy and the budget proposals.

## 5 Main Considerations

- 5.1 This report is to be submitted to Cabinet on a quarterly basis for debts to be considered for write off. At the Cabinet meeting on 22<sup>nd</sup> January 2020 a number of debts were approved for write off. They have since been input and reconciled by the Revenues team.
- 5.2 However since this meeting a sample of those write offs was selected and a deep dive exercise was carried out on the selected cases. This was to establish if there had been any shortfalls whilst dealing with the accounts in question. The results of this exercise confirmed that in all cases the relevant recovery process had been followed. Where applicable the relevant recovery action had also taken place in accordance with legislation.
- 5.3 The low number of cases that are being considered for write off shows the Revenues team are currently up to date with the processing of write offs. They are actively pursuing other debts where it is considered there is a more realistic chance of recovery and will continue to do so.
- 5.4 The table below summarises amounts outlined in the Appendices that are being requested for write off

<b>Fund</b>	<b>Value</b>
Council Tax	£3,557.75
Business Rates	£3,128.40

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

<b>Fund</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Council Tax	£287,728	£239,382	£114,744	£163,955
Business Rates	£156,194	£122,815	£211,680	£190,050
Sundry Debtors	£13,902.95	£57,800.75	£113,056.31	£32,472.40
Rents	£85,604.74	£39,700.20	£30,718.14	£60,761.37

- 5.6 All debts that are being considered for write off have followed the steps outlined in the newly adopted Corporate Debt Policy. The necessary recovery action has taken place where applicable prior to recommending for write off.
- 5.7 In light of the current COVID-19 situation there is a risk that the level of debt will increase. Cases are currently being dealt with on an individual basis. We are ensuring that our residents are fully supported in this difficult time. Recovery action is currently not being pursued however this is being reviewed on a regular basis.

## **6 Options Considered**

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

## **7 Consultation**

- 7.1 There was no consultation required as part of this report.

## **8 Next Steps – Implementation and Communication**

- 8.1 Once authorised the debts in question are written off within the applicable system and the relevant write off reconciliation will take place within the Revenues team.

## **9 Financial Implications**

- 9.1 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.

**Financial Implications reviewed by: Director for Corporate Services**

## **10 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. Debt recovery is undertaken in line with the Council's Debt Recovery Policy and is reasonable and proportionate.

**Legal Implications reviewed by: Monitoring Officer**

## **11 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 the Council will adopt a consistent approach when considering debts for write off. Ensuring that all cases are assessed against the same criteria.

## **12 Community Safety Implications**

- 12.1 There are no community safety implications arising from this report.

## **13 Environmental and Climate Change Implications**

- 13.1 There are no environmental and climate change implications arising from this report.

## 14 Other Implications (where significant)

14.1 There are no other implications arising from this report.

## 15 Risk & Mitigation

15.1 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.

15.2 If proper debt management and accounting procedures are not followed in the management and writing off of debt the Council could be criticised by external audit.

## 16 Background Papers.

16.1 There are no additional background papers to the report.

## 17 Appendices

17.1 Exempt Appendix 1 - Council Tax Debts

Exempt Appendix 2 - Business Rates Debts

<b>Report Author:</b>	<b>Nick Sach</b> , Revenues and Benefits Manager
<b>Report Author Contact Details:</b>	01664 502376 nsach@melton.gov.uk
<b>Chief Officer Responsible:</b>	<b>Andrew Cotton</b> , Director for Housing and Communities
<b>Chief Officer Contact Details:</b>	01664 504322 acotton@melton.gov.uk