

Crawley Borough Council



Report to Cabinet 19 March 2014

Irrecoverable Debts 2013/2014

Report of the Head of Finance, Revenues and Benefits FIN/327

1. Purpose

- 1.1 The purpose of this report is to obtain approval to write-off debt that is considered to be irrecoverable and exceeds the delegated limit of £50,000 per write-off. A summary of debts written off under delegated powers is also set out in the report.

2. Recommendations

- 2.1 Cabinet is recommended to approve the write-off of the business rates debts as set out in the report.

3. Reasons for the Recommendations

- 3.1 The Council's Constitution necessitates amounts exceeding £50,000 requiring write-off to be approved by the Cabinet.

4. Background

- 4.1 During the financial year 2013/2014, the Council is due to collect an estimated £198 million in business rates, council tax, rents and other charges for services provided. There is a set period of time, according to the type of debt, in which the debt should be paid to the Council. If payment is not received within this period, debt recovery action is started, appropriate to the type of debt.
- 4.2 At all stages of debt recovery the Council seeks to enter into a dialogue with the debtor and provide advice (for example on housing benefit) and where to obtain external debt advice. Disappointingly, many debtors fail to respond to correspondence. This is true of all types of debt from both individuals and businesses. Personal visits may be undertaken in some cases.
- 4.3 Despite action taken, some debts remain unpaid and prove to be irrecoverable. Reasons for this include bankruptcy, being unable to trace the debtor, death of a debtor where there is no estate, or cases where the small amount owing makes it uneconomic to take further action.
- 4.4 Under the current scheme of delegation within the Council's Constitution, the Leader of the Council is delegated with the function of approving the writing-off of irrecoverable debts up to £50,000 and the Head of Finance, Revenues and Benefits

is delegated with the function of writing off debts not exceeding £2,500. All other debts require write off approval by the Cabinet.

- 4.5 It is important that debts are written off once it becomes clear there is no realistic prospect of recovering the amount due. This ensures the accuracy of the Council's accounts, as well as reducing the work involved in managing the total debt. The Council's Financial Procedural Rules reflect this.

5. Debt requiring approval for write-off

- 5.1 Debtors with arrears in excess of £50,000 requiring write-off are shown in the following table. In both cases the debts are in respect of unpaid business rates:-

Address	Reason	Total £
Half Moon, Brighton Road	Bankruptcy	70,937.25
19/21 Queensway	Absconded	73,576.00
		144,513.25

- 5.2 The companies in the table above have ceased trading. In both cases it has not been possible to identify with any certainty the correct names of the occupiers and the dates for which they were responsible. In these cases, it is extremely unlikely that any significant proceeds will be recovered. Any monies received for debts that have been authorised for write-off are written back onto the debtor's accounts. This debt was incurred when tenants were responsible for payment of the rates. The outstanding debts have been fully investigated and legal advice has been sought but due to the circumstances they are considered irrecoverable.
- 5.3 The business rates retention scheme was introduced in April 2013. Under the scheme local authorities receive a share of any growth in business rates, but equally have to share the burden if business rates fall up to a certain level. That level is fixed for separately for each Council. It is anticipated that the rates collected in 2013/14 will be less than that level. Therefore, the Council will receive a safety net payment to take its income back up to that level. As a result, any reductions in business rates from write offs would not impact on the Council's General Fund as a corresponding increased safety net payment would be received.

6. Other Debts Written-Off Under Delegated Powers

- 6.1 The Council's Constitution allows the Leader and the Head of Finance, Revenues and Benefits to write-off debts up to the value of £50,000 and £2,500 respectively. The following table provides the Cabinet with a summary of other debts that have been written off during the financial year 2013/2014:-

	Debt up to £2,500	Debt £2,501 to £50,000	Total £
Rent Deposits	13,103.99	0	13,103.99
General Debts	13,878.11	0	13,878.11
Housing Rents	97,345.46	10,623.32	107,968.78

Overpaid Benefit	17,327.80	23,085.01	40,412.81
Council Tax	136,998.80	0	136,998.80
Business Rates	49,064.73	739,743.55	788,808.28
Commercial	47.00	0	47.00
TOTAL	327,765.89	773,451.88	1,101,217.77

6. Information & Analysis Supporting Recommendation

- 6.1 The action taken on each debt will depend on the nature of the debt and the debtor, as set out in the Council's corporate debt policy. However, no debt is written off without good reason and all write-offs are subject to potential audit to ensure adherence to Council processes.
- 6.2 While every effort is made to maximise income, some irrecoverable debts will occur. The amounts to be written off are within the expected range for non recoverable debts and are within the budgeted provision.

7. Implications

- 7.1 Sufficient provision has been made within the Council's accounts to cover the cost of the write-offs detailed in the report. Therefore, writing off these debts will not affect the Council's financial position.

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