

# Crawley Borough Council

## Report to Cabinet 5 February 2020

### Irrecoverable Debts 2019/2020

Report of the Head of Corporate Finance, **FIN/490**

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#### **1. Purpose**

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

#### **2. Recommendations**

- 2.1 To the Cabinet

The Cabinet is recommended to approve the write-off of the Business Rates debt as set out in the report (Section 5).

#### **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 2019/2020, the Council is due to collect around £300 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 collection 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.
- 4.3 Despite robust procedures being taken, some debts remain unpaid and prove to be irrecoverable. Reasons for this include bankruptcy, insolvency being unable to trace the debtor despite the use of tracing agents, death of a debtor where there is no estate, or uneconomic to collect for small balances and where the debt is time barred, where the Statue of limitations applies.
- 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 Corporate Finance 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 In accordance with the Council's Financial Procedure rules, Legal constraints and Audit Commission guidelines, Councils are required to regularly review any outstanding debts and write off irrecoverable balances. The Council has been encouraged to avoid keeping debts 'on the books' without a realistic prospect of recovery.

## **5. Debt requiring approval for write-off**

- 5.1 The debtors with arrears in excess of £50,000 requiring write-off, totalling £301,982.60 is shown in the following table. This debt is in respect of unpaid Business Rates:-

Name and Address	Reason	Total £
Genus UK Ltd 15 County Mall	In Administration	57,529.67
Monsoon Ltd 10 & 11 County Mall	Entered into Company Voluntary Arrangements	82,320.00
Premier Parking Gatwick Ltd Land Peeks Brook Lane	In Liquidation	162,132.93
<b>Total</b>		<b>301,982.60</b>

- 5.2 The outstanding debts have been fully investigated and external business rates legal advice has been sought but due to the circumstances they are considered irrecoverable. Any monies subsequently received for debts that have been authorised for write-off are written back onto the debtor's accounts.
- 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. For 2019/20, the Council is showing that business rates for the year are slightly higher than the baseline set by the government. As such, the Council is due to pay a levy on the rates retained above the baseline. Any reductions in business rates from write-offs would reduce the retained rates, but also reduce the levy payable. The net impact is a cost to the General fund of 20% of all write-offs.

## **6. Other Debts Written-Off Under Delegated Powers**

- 6.1 The Council's Constitution allows the Leader and the Head of Corporate Finance 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 under delegated powers during the financial year 2019/2020:-

	Debt up to £2,500	Debt £2,501 to £50,000	Total £
Rent Deposits	1,997.91	0	1,997.91
General Debts	5,556.59	0	5,556.59
Housing Rents	99,266.84	31,435.27	130,702.11
Bed & Breakfast	4,728.88	0	4,728.88
Hostels	5,150.19	0	5,150.19
Overpaid Benefit	18,907.07	58,121.30	77,028.37
Council Tax	17,874.13	0	17,874.13
Business Rates	21,015.05	362,160.33	383,175.38
Mortgages	-402.73	0	-402.73
Garage Rents	2,766.13	0	2,766.13
Total	176,860.06	451,716.90	628,576.96

## 7. Information & Analysis Supporting Recommendation

- 7.1 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.
- 7.2 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.

## 8. Implications

- 8.1 Sufficient provision has been made within the Council's accounts to cover the cost of the write-offs detailed in the report and therefore writing off these debts will not affect the Council's financial position. There are no legal implications arising from this report.

## 9. Background Papers

None

Contact Officer:

*Steve Blacktop, Accounts Receivable Manager 01293 438316.*

*steve.blacktop@crawley.gov.uk*