

# Crawley Borough Council

## Report to Cabinet 2 February 2022

### Irrecoverable Debts 2021/2022

Report of the Head of Corporate Finance, **FIN/551**

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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.

#### **2. Recommendations**

- 2.1 Cabinet is recommended to approve the write-off of the Commercial Rent debt as set out in paragraph 5 of 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 2021/2022, 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, 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.
- 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 debtor with arrears in excess of £50,000 requiring write-off, totalling £126,540.02 is shown in the following table. This debt is in respect of unpaid Commercial Rent:-

Name and Address	Reason	Total
Azzurri Restaurants Ltd 49-51 High Street	In Liquidation	126,540.02
		£126,540.02

- 5.2 The outstanding debt has been fully investigated and legal advice has been sought but due to the circumstances the amount is considered irrecoverable. Any monies received for debt that has been authorised for write-off is written back onto the debtor's accounts.

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

- 6.1 The Council's Constitution allows the Leader and the Head of Corporate 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 under delegated powers during the financial year 2021/2022:-

	Debt up to £2,500	Debt £2,501 UP to £50,000	Total £
Council Tax	3,564.75		3,564.75
Housing Rents	840.38		840.38
Other	0.00		0.00
Total	4,405.13		4,405.13

## 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.

Report author and contact officer: *Steve Blacktop, Accounts Receivable Manager*  
*01293 438316.*