

# Crawley Borough Council

## Report to Cabinet 21 March 2018

### Irrecoverable Debts 2017/2018

Report of the Head of Finance, Revenues and Benefits - **FIN/436**

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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 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 2017/2018, 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 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 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 £169,134.65 is shown in the following table. This debt is in respect of unpaid Business Rates:-

Name & Address	Reason	Total £
Trustees of Emergency Aid Victory House Manor Royal	Charity in Liquidation	107,181.80
Mar City Homes Ltd Zurich House East Park	Received part payment following Court action	61,952.85
		<hr/> 169,134.65

- 5.2 The outstanding debts have been fully investigated and legal advice has been sought but due to the circumstances they are considered irrecoverable. Any monies 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 2017/18, 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 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 2017/2018:-

	Debt up to £2,500	Debt £2,501 to £50,000	Total £
Rent Deposits	21,023.93	0	21,023.93
General Debts	3,015.18	10,720.47	13,735.65
Housing Rents	5,007.26	5,564.22	10,571.48
Bed & Breakfast	50,253.62	0	50,253.62
Overpaid Benefit	19,569.13	26,665.17	46,234.30
Council Tax	137,692.99	0	137,692.99
Business Rates	12,898.74	197,407.23	210,305.97
TOTAL	249,460.85	240,357.09	489,817.94

## 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

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