

PERTH AND KINROSS COUNCIL

Strategic Policy and Resources Committee

13 June 2018

AUTHORITY TO WRITE OFF DEBTS AND OBSOLETE STOCK

Report by Head of Finance (Report No. 18/193)

PURPOSE OF REPORT

This report seeks approval to write off identified debts in respect of Sales Ledger; Council Tax (including Water & Waste Water charges); Non-Domestic Rates; Irrecoverable Rents; Housing Benefit Overpayments and Car Park Trading Account Income. In addition approval is sought to write off obsolete stock and write on outstanding credit balances.

1. BACKGROUND / MAIN ISSUES

- 1.1 In order that the appropriate entries may be made in the Council's Annual Accounts for the year ending 31 March 2018, it is necessary to consider the write off of debts and obsolete stock and the write on of outstanding credit balances.
- 1.2 To accommodate year end accounting processes and timescales, some of the Council's systems have already been amended to reflect the proposed adjustments, pending approval by the Committee of the recommendations within this report.
- 1.3 The debts included within this report have progressed through the Council's debt recovery process using the various legislative procedures available for each type of debt to collect the amounts outstanding. The amounts that still remain due, after exhaustive recovery procedures have been undertaken, are included within this report for write off as a last resort. Should any additional information be received the debt will be written back. Every effort is made to collect the outstanding debt wherever possible.
- 1.4 This report includes all the recommended write off and on amounts for financial year 2017/18.

2. PROPOSALS

2.1 Sales Ledger

- 2.1.1 Appendix 1 details Sales Ledger debt which it has not been possible to collect for various reasons. The majority of these debts have been placed with Sheriff Officers, including instances where debtors are deceased or are untraced.

The Council has introduced a number of measures to maximise income collection including “set-off” (which, in certain circumstances, allows the Council to apply customer debt against payments due by the Council) and encouraging customers to pay at point of sale, therefore, reducing cost of collection and the level of debt. Appendix 1 sets out the debt recovery process for Sales Ledger debt.

- 2.1.2 After consultation with the Services who raised the original invoices, it is recommended that the Council write off £163,373.60 as shown in Appendix 1. This amount includes debt relating to ten financial years from 2007/08 through to 2017/18. A Service by Service comparison has been shown below between the current and the previous financial year.

Write off By Service	Total 2017/18	Total 2016/17
Corporate & Democratic Services	0.00	0.00
Education & Children's Services	9,476.13	14,272.15
Health & Social Care	67,837.01	85,106.86
Housing & Community Safety	52,540.56	220,313.05
The Environment Service	33,519.90	67,744.97
	163,373.60	387,437.03

- 2.1.3 The total provision included within the Council’s accounts for bad and doubtful Sales Ledger debt at 31 March 2017 was £720,882.00. The total value of Sales Ledger invoices raised in financial year 2017/18 totalled approximately £25 million and the proposed write off for all years represents approximately 0.7% of this amount.
- 2.1.4 In most instances, accounts raised prior to 30 September 2016 carry a 50% provision whilst those raised prior to 31 March 2016 are fully provided for. Where debts fall into this category, part or all of the amount to be written off will be met from the provision.
- 2.1.5 Where no provision or only partial provision has previously been made, the balance of the write off will be charged against the issuing Service’s Revenue Account for 2017/18.

2.2 Council Tax and Non-Domestic Rates

- 2.2.1 Appendices 2 and 3 set out the debt recovery processes for Council Tax and Non-Domestic Rates respectively. To maximise levels of collection and reduce collection costs, the Council continues to promote the use of electronic forms and payment by Direct Debit, Council Tax currently have 74% of customers paying by Direct Debit.
- 2.2.2 Appendix 2 details Council Tax (including Water and Waste Water Charges) where the sum of £479,983.47 has been deemed uncollectable. There is an

overall provision for bad and doubtful Council Tax debt of £12,515,547.59 as at 31 March 2017.

The total amount of Council Tax billed for financial year 2017/18 was £101.7 million (including Water and Waste Water Charges). With an in-year collection rate for Council Tax in 2017/18 of 97.35% (97.33% in 2016/17).

- 2.2.3 The proposed write offs relate to the last 25 financial years during which time the Council has raised over £1.8 billion in Council Tax and has continually delivered high collection levels.
- 2.2.4 Appendix 3 details Non-Domestic Rates income totalling £411,517.12 which it has not proved possible to collect for the reasons shown in the appendix (£302,803.71 was written off in 2016/17).
- 2.2.5 It is recommended that the Council write off £411,517.12 of Non-Domestic Rates. In terms of write offs relating to Non Domestic Rates the costs at present are met by the Scottish Government through the “pool” mechanism. The provision for bad and doubtful Non-Domestic Rates debt was £752,074.99 at 31 March 2017.
- 2.2.6 The amount recommended to be written off for all years represents approximately 0.7% of the £58.6 million of Non Domestic Rates income raised in financial year 2017/18. The in year collection rate for Non Domestic Rates was 98.37% as at 31 March 2018 (98% in 2016/17).
- 2.2.7 These proposed write offs relate to the last 14 financial years during which time the Council has raised over £727 million in Non-Domestic Rates and has continually delivered high collection levels.
- 2.2.8 Appendices 2 and 3 also include accounts where the balance is for a small value either in debit or credit (£0.99) for Council Tax and Non-Domestic Rates. It is uneconomical to collect or refund/transfer such small amounts and, therefore, an automated process is in place to adjust these accounts.

2.3 Housing Revenue Account

- 2.3.1 Appendix 4 details rent charges raised in respect of former tenants and court expenses incurred which it has not been possible to collect for the reasons shown in the appendix.
- 2.3.2 A comprehensive review of Former Tenant Arrears has been undertaken within Housing and Environment which has identified a requirement to write off £998,921.60 of outstanding housing rent (£331,502.80 was written off in 2016/17) – see Appendix 4. The provision for bad and doubtful Housing Revenue Account debt was £1,754,813 as at 31 March 2017. The in year collection rate for Housing Rents was 98.73% as at 31 March 2018 (99.59% in 2016/17). The total rental charges raised in 2017/18 were approximately £25.5 million.

- 2.3.3 The proposed write off for mainstream rents primarily relates to the last 8 financial years, during which time the total amount of rent charged is approximately £182million. The proposed write off for mainstream rents within the report represents approximately 0.55% of the rent charged over the last 8 years.
- 2.3.4 These arrears have built up over a number of financial years and have consistently proven extremely difficult to collect, placing an additional burden on the Service at a time of reducing staff resources for limited financial return. The current situation is exacerbated as, legally, the Council cannot refuse to accept the termination of a tenancy by a tenant on the grounds of outstanding rent arrears nor can it insist that as part of the termination a forwarding address is provided.
- 2.3.5 As with all outstanding debt, if any additional information becomes available, the debt will be written back and every effort is made to collect the outstanding debt.
- 2.3.6 The approval of this proposed write off will allow the Service to focus on tenant priorities including improved rent collection, early intervention and prevention and focus on the roll out of Full Service Universal Credit which takes place on 13 June 2018.
- 2.3.7 Authority is also requested to write off garage sites and lock ups £16,248.62 (£15,022.77 was written off in 2016/17).

2.4 Housing General Fund

- 2.4.1 Appendix 5 details charges for those housing services administered through the Council's rent system, provided to Homeless clients placed in temporary accommodation where the tenancy has ended and where it has not proved possible to recover outstanding income, in part, due to the vulnerable nature of the client group.
- 2.4.2 Authority is requested to write off £189,126.12 in 2017/18 (£1,100,235.63 was written off in 2016/17) for charges for housing services provided to Homeless clients placed in temporary accommodation. The provision for bad and doubtful debt in relation to this activity was £3,615,204 as at 31 March 2017. The total amount billed during 2017/18 for housing service charges was £520,268.
- 2.4.3 Authority is also requested to write off Housing Benefit overpayment debt of £77,860.43 for 2017/18 (£77,887.29 was written off in 2016/17) which it has not proven possible to recover. During 2017/18 the Council was able to recover 74% of Housing Benefit overpayments which, based on previous benchmarking would place it near the top quartile of performance. The provision for bad and doubtful Housing Benefit overpayment debt was £904,014 as at 31 March 2017. The total value identified for overpayments within 2017/18 was £1.1 million and the proposed write off value for all years represents approximately 7.11% of this amount.

2.5 Car Park Trading Account Income

2.5.1 Car Park Trading Account Income

Authority is requested to write off £70,374 in respect of Car Park Trading Account Income (£97,620 was written off in 2016/17). This amount equates to all amounts charged and still outstanding in relation to the period prior to October 2016. The provision for bad and doubtful Car Park Trading Account debt was £98,980 as at 31 March 2017. The proposed write off is equivalent to 10.02% of the number of Penalty Charge Notices issued during 2016/17.

2.6 Stock Write Offs

2.6.1 The Environment Service

Authority is requested to write off obsolete stock of £5,000 in respect of vehicle parts at Friarton Depot (£5,076 was written off in 2016/17). Full provision was made for the write off in the 2016/17 financial statements and there is, therefore, no financial impact on the 2016/17 financial year.

2.7 Outstanding Balances

2.7.1 Authority is requested to write on a small number of outstanding balances over various accounts. These balances relate to transactions before 31 March 2017. The net amount of the outstanding balances is a write on totalling £8,995.17 (£5,804.98 was written off in 2016/17).

2.7.2 In addition there has been a comprehensive review of the Council's Balance Sheet which has identified £504,968.58 that is available to be written back to the Council's unearmarked Reserves. These balances have developed over a number of financial years. There are a number of sources of this proposed write on, including, where the Council has made provision for a possible expense that has failed to materialise; where income has been received with limited information and therefore been unallocated; where cheques were issued but were not cashed and a replacement had not been requested and where monies are received from insurance companies in relation to road traffic accidents.

3. CONCLUSION AND RECOMMENDATIONS

3.1 In all of the above cases it has either not been possible to recover monies due to the Council or to utilise stocks held by the Council. The write off of debt is a last resort and only recommended after all means of recovery have been exhausted. Although the amounts may be written off for accounting purposes, the files are not closed and every effort will be made to collect the outstanding debt wherever possible.

3.2 It is recommended that the Committee:

- 1 Approve that all amounts detailed in section 2 and the attached appendices to this report are written off or on for accounting purposes.

- 2 Note that whilst these amounts are written off or written on, the files are not closed and every effort will be made to collect outstanding debt wherever possible.

Author(s)

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Approved

Name	Designation	Date
Jim Valentine	Depute Chief Executive (Chief Operating Officer)	16 May 2018

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Strategic Plan	Yes
Resource Implications	
Financial	Yes
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal	None
Risk	None
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

Strategic Plan

- 1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

- 1.2 This report relates to all of these objectives.

2. Resource Implications

Financial

- 2.1 There are no direct financial implications arising from this report other than those reported within the body of the main report.

3. Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

4. Consultation

Internal

- 4.1 The Chief Executive and all Executive Directors have been consulted in the preparation of this report.

5. BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

6. APPENDICES

Appendix 1 – Sales Ledger debt written off in financial year 2017/18 by year and reason.

Appendix 2 – Council Tax debt written off in financial year 2017/18 by year and reason.

Appendix 3 – Non Domestic Rates debt written off in financial year 2017/18 by year and reason.

Appendix 4 – Irrecoverable Rents written off in financial year 2017/18 by year and reason.

Appendix 5 – Homeless debt written off in financial year 2017/18 by year and reason.