

PERTH AND KINROSS COUNCIL**Strategic Policy and Resources Committee – 20 June 2012****Authority to Write Off Bad Debts and Obsolete Stock****Report by the Acting Head of Finance****ABSTRACT**

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

1. RECOMMENDATION

It is recommended that the Committee;

- 1.1 approve that all amounts detailed in section 3 and the attached appendices to this report are written off for accounting purposes.
- 1.2 note that whilst these amounts are written off, the files are not closed and every effort will be made to collect outstanding debt wherever possible.

2. BACKGROUND

- 2.1 In order that the appropriate entries may be made in the financial statements of the Council for the year ending 31 March 2012, it is necessary to consider the write off of bad debts and obsolete stock.
- 2.2 To accommodate year end accounting processes and timescales the Council's systems have already been amended to show the written off accounts pending approval by the Committee of the recommendations within this report.
- 2.3 This report includes all of the recommended write offs for financial year 2011/12.

3. PROPOSALS**3.1 Sales Ledger**

- 3.1.1 Appendix 1 details Sales Ledger debt which for various reasons, it has not been possible to collect. The majority of these debts have either been in the hands of the Sheriff Officers or are untraced debtors.
- 3.1.2 The total value of Sales Ledger invoices raised within financial year 2011/12 totalled approximately £23 million and the proposed write off for all years

represents less than 0.4% of this amount. After consultation with the Services who raised the original invoices, it is recommended that the Council write off £88,800.73 as shown in Appendix 1. The total provision included within the Council's accounts for bad and doubtful Sales Ledger debt at 31 March 2011 was £905,288.

- 3.1.3 In most instances, accounts raised prior to 30 September 2011 carry a 50% provision whilst those raised prior to 31 March 2011 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. Where no provision or only partial provision has previously been made for a debt, the balance of the write off will be charged against the issuing Service's Revenue Account for 2011/12.
- 3.1.4 It is also recommended that the Council write off £1,276.49 in respect of a variety of small miscellaneous income balances outstanding over a number of financial years since 2003/04.

3.2 Council Tax, Non-Domestic Rates and Community Charge

- 3.2.1 Appendix 2 details Council Tax (including Water and Waste Water Charges) and Non-Domestic Rates income which it has not proved possible to collect for the reasons shown in the appendix.
- 3.2.2 Appendix 2 also includes accounts where the balance is for a small value either in debit or credit 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.
- 3.2.3 It is recommended that the Council write off £984,572.35 of Council Tax debt (including Water and Waste Water Charges) with the overall provision for bad and doubtful Council Tax debt being £11,474,064 as at 31 March 2011. The total value of Council Tax (including Water and Waste Water Charges) levied for financial year 2011/12 was approximately £87.5 million with an in year collection rate of 96.58% as at March 2012 (*96.48% in 2010/11*). Cumulatively, the total amount billed for Council Tax (including Water and Waste Water Charges) locally since the introduction of this tax in 1993 is circa £1.4 billion.
- 3.2.4 It is recommended that the Council write off £460,740.83 of Non-Domestic Rates. The provision for bad and doubtful Non-Domestic Rates debt was £461,832 at 31 March 2011. The amount recommended to be written off for all years represents 0.74% of the £62.6 million of Non Domestic Rates income raised in financial year 2011/12 with the in year collection rate being 97.86% as at March 2012 (*97.75% in 2010/11*).
- 3.2.5 In terms of write-offs relating to Non Domestic Rates the costs are at present met by the Scottish Government through the "pool" mechanism.

- 3.2.6 It is further recommended that the Council write off £1,048.33 of Community Charge debt (the provision for bad and doubtful Community Charge debt was £1,331,201 as at 31 March 2011).

3.3 Housing Revenue Account

- 3.3.1 Appendix 3 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.
- 3.3.2 Authority is requested to write off rent charges raised in respect of former tenants amounting to £38,848.23. The provision for bad and doubtful former tenant debt was £673,389 as at 31 March 2011. The total rental charges raised in 2011/12 were approximately £20.9 million with the proposed write off representing 0.2% of this amount.

3.4 Housing General Fund

- 3.4.1 Authority is requested to write off £345,256 in 2011/12 for charges for housing services provided to Homeless clients placed in temporary accommodation where the tenancy ended more than 6 months ago and where it has not proved possible to recover outstanding income, in part, due to the vulnerable nature of the client group. £4.3 million was billed during 2011/12 for housing service charges and the proposed write off represents 8% of this amount. The provision for bad and doubtful debt in relation to this activity was £1,223,745 as at 31 March 2011.
- 3.4.2 Authority is also requested to write off Housing Benefit overpayment debt of £81,976.10 for 2011/12 which it has not been possible to recover. The provision for bad and doubtful Housing Benefit overpayment debt was £487,039 as at 31 March 2011. The total value billed within 2011/12 was £1.2 million and the proposed write off value for all years represents 6.9% of this amount.

3.5 Commercial Rent

3.5.1 Commercial Rent

Authority is requested to write off rent charges raised in respect of general fund commercial property amounting to £55,198 and housing revenue account property amounting to £3,286 which it has not been possible to collect. In each case this amount relates to commercial rents outstanding prior to 30 September 2011. The provision for bad and doubtful debts was £75,212 as at 31 March 2011. £1.76 million was billed for General Fund and housing revenue account property activities during 2011/12 and the proposed write off is equivalent to 3.3% of the amount of commercial rent billed.

3.6 Car Park Trading Account Income

3.6.1 Car Park Trading Account Income

Authority is requested to write off £83,528 in respect of Car Park Trading Account Income. This amount equates to all amounts charged and still outstanding in relation to the period prior to October 2010. The provision for bad and doubtful Car Park Trading Account debt was £86,098 as at 31 March 2011. The proposed write off is equivalent to 11.07% of the number of Penalty Charge Notices issued during 2011/12.

3.7 Stock Write Offs

3.7.1 The Environment Service

Authority is requested to write off obsolete stock of £8,000 in respect of vehicle parts at Friarton Depot. Full provision was made for this write off in the 2010/11 financial statements and there is, therefore, no financial impact on the 2011/12 financial year.

3.7.2 Housing Revenue Account

Authority is requested to write off £14,714 in respect of obsolete and damaged stock. Full provision was made for this write off in the 2010/11 financial statements and there is, therefore, no financial impact on the 2011/12 financial year.

4. CONSULTATION

- 4.1 The Chief Executive, all Executive Directors, the Head of Legal and the Head of Democratic Services were consulted in the preparation of this report.

5. RESOURCE IMPLICATIONS

- 5.1 There are no resource implications arising directly from this report other than the financial implications which are set out in Section 3 above.

6. COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012

- 6.1 The Council's Corporate Plan 2009-2012 lays out five Objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:-

- (i) A Safe, Secure and Welcoming Environment
- (ii) Healthy, Caring Communities
- (iii) A Prosperous, Sustainable and Inclusive Economy
- (iv) Educated, Responsible and Informed Citizens
- (v) Confident, Active and Inclusive Communities

- 6.2 The write off process is an integral part of the billing, collection and recovery processes of all accounts issued by the Council, which assists in managing the delivery of all the Corporate Plan Objectives. The process is also consistent with the Council's principles of accountability and transparency.

7. EQUALITIES IMPACT ASSESSMENT (EqIA)

An equality impact assessment needs to be carried out for functions, policies, procedures or strategies in relation to race, gender and disability and other relevant protected characteristics. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new and existing policies.

The function, policy, procedure or strategy presented in this report was considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

- i) Assessed as **not relevant** for the purposes of EqIA

8. STRATEGIC ENVIRONMENTAL ASSESSMENT

Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies (PPS).

The matters presented in this report were considered under the Environmental Assessment (Scotland) Act 2005 and no further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

9. CONCLUSION

In all of the above cases it has either not been possible to recover monies due to the Council or utilise stocks held by the Council. 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.

Stewart MacKenzie
Acting Head of Finance

Note: 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.

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Date: 21 May 2012

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Council Text Phone Number 01738 442573

Appendix One

Sales Ledger Invoices to be written off as at March 2012

<u>YEAR</u>	<u>GONE</u> <u>AWAY</u>	<u>NO FUNDS</u>	<u>UNECONOMIC</u> <u>TO COLLECT</u>	<u>DECEASED</u> <u>(NO FUNDS)</u>	<u>SEQ/LIQ</u> <u>OR REC *</u>	<u>DEBT</u> <u>PRESCRIBED</u>	<u>TOTAL</u> <u>VAT EX</u>	<u>VAT VALUE</u> <u>FOR W/OFF</u>	<u>TOTAL</u> <u>DEBT</u>
	£	£	£	£	£	£	£	£	£
1998/99	6,416.80	0.00	0.00	0.00	0.00	4,074.56	10,491.36	0.00	10,491.36
2002/03	0.00	413.30	0.00	2,190.83	0.00	4,139.53	6,743.66	0.00	6,743.66
2003/04	0.00	0.00	0.00	0.00	148.05	1,287.47	1,435.52	0.00	1,435.52
2004/05	0.00	5,615.57	0.00	0.00	0.00	4,097.54	9,713.11	0.00	9,713.11
2005/06	1,729.07	3,003.63	53.44	0.00	2,155.25	3,650.53	10,591.92	0.00	10,591.92
2006/07	314.67	717.71	725.18	0.00	1,719.74	914.83	4,392.13	0.00	4,392.13
2007/08	64.63	1,486.98	0.00	0.00	1,175.69	0.00	2,727.30	0.00	2,727.30
2008/09	0.00	5,099.02	56.45	1,098.60	236.85	0.00	6,490.92	0.00	6,490.92
2009/10	225.03	2,062.48	0.00	4,859.94	3,806.92	0.00	10,954.37	0.00	10,954.37
2010/11	1,495.74	4,395.64	2,879.02	4,227.57	8,360.35	0.00	21,358.32	889.41	22,247.73
2011/12	789.05	622.88	97.44	555.22	854.46	0.00	2,919.05	93.66	3,012.71
TOTAL	11,034.99	23,417.21	3,811.53	12,932.16	18,457.31	18,164.46	87,817.66	983.07	88,800.73

Sequestration/Liquidation or Receivership

Council Tax Written-Off During Financial Year 2011/12 - Summary of Write-Off Reasons							
Financial Year	Statutory Additions	Deceased - No Estate	No Trace	Sequestration etc.	Small Balances	Uneconomical to Pursue/Collect	Total
1993	£586.89	£2,350.31	-£237.15	£409.03	£0.01	£0.00	£3,109.09
1994	£1,095.89	£6,296.37	-£65.98	£1,203.95	£0.00	£15.78	£8,546.01
1995	£1,394.56	£7,840.76	£25.21	£1,278.76	£0.00	£0.00	£10,539.29
1996	£1,916.65	£10,469.68	£464.12	£1,214.12	£0.10	£0.00	£14,064.67
1997	£1,648.20	£7,940.86	£2,758.43	£2,887.71	£1.76	£0.00	£15,236.96
1998	£1,803.13	£8,197.10	£2,628.53	£3,658.90	£2.20	£0.00	£16,289.86
1999	£2,281.26	£11,377.94	£2,716.77	£6,946.29	£3.61	£0.00	£23,325.87
2000	£2,933.59	£13,137.40	£4,171.40	£7,389.32	£9.35	£180.00	£27,821.06
2001	£4,027.16	£16,083.49	£5,625.12	£9,450.72	£1.24	£0.00	£35,187.73
2002	£4,653.81	£16,990.61	£10,662.65	£14,136.37	£7.38	£0.00	£46,450.82
2003	£5,869.96	£21,805.89	£13,052.26	£18,909.15	£4.90	£0.00	£59,642.16
2004	£6,367.38	£17,518.43	£16,065.58	£16,014.97	-£1.84	£0.00	£55,964.52
2005	£7,586.11	£19,197.35	£21,597.22	£19,608.53	£3.97	£30.01	£68,023.19
2006	£9,027.80	£21,153.70	£16,780.65	£26,624.98	£3.87	£14.57	£73,605.57
2007	£10,439.63	£18,699.75	£17,838.17	£48,131.15	£8.67	£0.00	£95,117.37
2008	£11,223.80	£20,080.07	£18,249.21	£61,820.03	£11.11	£0.00	£111,384.22
2009	£12,689.13	£14,067.48	£18,628.25	£81,577.00	-£5.99	£38.68	£126,994.55
2010	£15,001.51	£10,270.41	£19,712.36	£98,047.64	-£80.79	£10.44	£142,961.57
2011	£8,020.91	£8,069.87	£4,529.85	£29,671.83	£6.54	£8.84	£50,307.84
Totals	£108,567.37	£251,547.47	£175,202.65	£448,980.45	-£23.91	£298.32	£984,572.35

Non-Domestic Rates Written-Off During Financial Year 2011/12 - Summary of Write-Off Reasons									
Financial Year	Statutory Additions	Deceased	No Trace	Sequestration, Liquidation etc.	Ceased Trading	Wrongly Rated	Small Balances	Uneconomical to Pursue/Collect	Total
1995	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
1996	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
1997	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
1998	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
1999	£34.56	£0.00	£0.00	£0.00	£345.60	£0.00	£0.00	£0.00	£380.16
2000	£36.70	£0.00	£0.00	£0.00	£271.40	£0.00	£0.00	£0.00	£308.10
2001	£122.49	£0.00	£1,224.94	£0.00	£0.00	£0.00	£0.00	£0.00	£1,347.43
2002	£16.08	£0.00	£160.76	£37.75	£0.00	£0.00	£0.00	£0.00	£139.09
2003	£26.72	£53.44	£0.00	£0.00	£213.75	£0.00	£0.00	£0.00	£293.91
2004	£54.71	£60.27	£0.00	£1,796.56	£486.78	£0.00	£0.00	£0.00	-£1,194.80
2005	£58.03	£65.69	£0.00	£5.27	£214.60	£0.00	£0.00	£0.00	£333.05
2006	£1,996.15	£63.98	£0.00	£8,890.56	£501.20	£9,536.76	£0.00	£0.00	£20,988.65
2007	£1,891.65	£62.84	£113.21	£5,348.78	£5,477.34	£13,398.13	£0.00	£0.00	£26,291.95
2008	£4,611.42	£68.70	£2,058.82	£14,270.17	£27,783.31	£15,112.64	£0.00	£0.00	£63,905.06
2009	£6,260.65	£5,032.25	£3,270.82	£13,305.25	£31,167.61	£29,108.94	£2.53	£0.00	£88,148.05
2010	£12,237.14	£0.00	£5,375.17	£85,927.47	£19,451.54	£0.00	£1.49	£0.00	£122,992.81
2011	£7,732.71	£0.00	£8,461.92	£97,423.76	£23,188.99	£0.00	£0.01	£0.00	£136,807.37
Totals	£35,079.01	£5,407.17	£20,665.64	£223,326.41	£109,102.12	£67,156.47	£4.01	£0.00	£460,740.83

Appendix 3

Write Off for Former Tenants Arrears

<u>YEAR</u> (Tenancy Ended)	<u>GONE</u> <u>AWAY</u>	<u>NO FUNDS</u>	<u>UNECONOMIC</u> <u>TO COLLECT</u>	<u>DECEASED/ RES CARE</u> <u>(NO FUNDS)</u>	<u>SEQ/LIQ</u> <u>OR REC*</u>	<u>DEBT</u> <u>PRESCRIBED</u>	<u>RENT ACCOUNT</u> <u>IN CREDIT</u>	<u>TOTAL</u> <u>DEBIT</u>
	£	£	£	£	£	£	£	£
2005/06	0.00	0.00	4.72	0.00	0.00	3,239.56	-1,445.63	1,798.65
2006/07	2,182.96	0.00	2.18	317.31	0.00	20,619.56	-450.87	22,671.14
2007/08	644.23	395.75	131.45	0.00	0.00	876.46	0.00	2,047.89
2008/09	75.68	289.55	217.02	0.00	0.00	0.00	0.00	582.25
2009/10	0.00	741.31	698.70	418.79	0.00	0.00	0.00	1,858.80
2010/11	0.00	166.29	812.08	2,168.31	0.00	0.00	0.00	3,146.68
2011/12	2,461.25	0.00	509.71	3,771.86	0.00	0.00	0.00	6,742.82
TOTAL	5,364.12	1,592.90	2,375.86	6,676.27	0.00	24,735.58	-1,896.50	38,848.23

Sequestration/Liquidation or Receivership

