

**PERTH AND KINROSS COUNCIL****Strategic Policy and Resources Committee – 15 June 2016****Authority to Write Off Debts and Obsolete Stock****Report by the Head of Finance****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 outstanding reconciliation items.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 In order that the appropriate entries may be made in the annual accounts of the Council for the year ending 31 March 2016, it is necessary to consider the write off of debts and obsolete stock.
- 1.2 To accommodate year end accounting processes and timescales some of the Council's systems have already been amended to show the proposed written off accounts, pending approval by the Committee of the recommendations within this report.
- 1.3 The debts included within this report have progressed through the 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 the 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 and every effort will be made to collect the outstanding debt wherever possible.
- 1.4 This report includes all of the recommended write offs for financial year 2015/16.

**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 either been in the hands of the Sheriff Officers or are deceased or untraced debtors.

- 2.1.2 After consultation with the Services who raised the original invoices, it is recommended that the Council write off £328,998.62 as shown in Appendix 1. The total provision included within the Council's accounts for bad and doubtful Sales Ledger debt at 31 March 2015 was £677,705.42. The total value of Sales Ledger invoices raised within financial year 2015/16 totalled approximately £23 million and the proposed write off for all years represents approximately 1.4% of this amount.
- 2.1.3 In most instances, accounts raised prior to 30 September 2014 carry a 50% provision whilst those raised prior to 31 March 2014 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 2015/16.

## **2.2 Council Tax and Non-Domestic Rates**

- 2.2.1 Appendix 2 details Council Tax (including Water and Waste Water Charges) income which it has not proved possible to collect for the reasons shown in the appendix.
- 2.2.2 Appendix 3 details Non-Domestic Rates income which it has not proved possible to collect for the reasons shown in the appendix.
- 2.2.3 Appendix 2 and Appendix 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.
- 2.2.4 It is recommended that the Council write off £388,271.93 of Council Tax debt (including Water and Waste Water Charges) with the overall provision for bad and doubtful Council Tax debt being £12,247,447.11 as at 31 March 2015. The amount recommended to be written off represents approximately 0.4% of the £92.4 million of Council Tax (including Water and Waste Water Charges) levied for financial year 2015/16. The in year collection rate for Council Tax was 97.27% as at March 2015 (97.06% in 2014/15).
- 2.2.5 It is recommended that the Council write off £462,743.43 of Non-Domestic Rates. In terms of write offs relating to Non Domestic Rates the costs are at present met by the Scottish Government through the "pool" mechanism. The provision for bad and doubtful Non-Domestic Rates debt was £1,264,421.25 at 31 March 2015.
- 2.2.6 The amount recommended to be written off for all years represents approximately 0.8% of the £55.5 million of Non Domestic Rates income raised in financial year 2015/16. The in year collection rate for Non Domestic Rates was 98.04% as at March 2016 (98.25% in 2014/15).

## **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 Authority is requested to write off rent charges raised in respect of former tenants amounting to £281,607.29 and £18,591.61 in respect of garage sites and lock ups. The provision for bad and doubtful Housing Revenue Account debt was £1,629,950 as at 31 March 2015. The in year collection rate for Housing Rents was 97% as at 31 March 2016 (96.1% in 2014/15). The total rental charges raised in 2015/16 were approximately £24.6 million.

## **2.4 Housing General Fund**

- 2.4.1 Appendix 5 details charges for those housing services administered through the Council's rent system and 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 £17,314.60 in 2015/16 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 £2,292,761 as at 31 March 2015. The total amount billed during 2015/16 for housing service charges was £2.6 million with the proposed write off representing approximately 0.66% of this amount.
- 2.4.3 Authority is also requested to write off Housing Benefit overpayment debt of £66,281 for 2015/16 which has not been possible to recover. The provision for bad and doubtful Housing Benefit overpayment debt was £830,976 as at 31 March 2015. The total value billed of overpayments within 2015/16 was £1.3 million and the proposed write off value for all years represents approximately 5.2% of this amount.

## **2.5 Car Park Trading Account Income**

- 2.5.1 Car Park Trading Account Income  
Authority is requested to write off £112,794 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 2014. The provision for bad and doubtful Car Park Trading Account debt was £121,162 as at 31 March 2015. The proposed write off is equivalent to 13.82% of the number of Penalty Charge Notices issued during 2014/15.

## 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. Full provision was made for the write off in the 2014/15 financial statements and there is, therefore, no financial impact on the 2015/16 financial year.

## 2.7 Outstanding Balances

2.7.1 Authority is requested to write off a small number of outstanding balances over various account reconciliations. These balances relate to transactions in Financial Year 2014/15. The net amount of the outstanding balances is a credit totalling £4,512.87.

## 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 for accounting purposes.
- 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.

### Author(s)

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### Approved

| Name       | Designation     | Date        |
|------------|-----------------|-------------|
| John Symon | Head of Finance | 18 May 2016 |

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

### 1. Strategic Implications

#### 1.1 Strategic Plan

1.1.1 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.

1.1.2 This report relates to all of these objectives.

### 2. Resource Implications

#### 2.1 Financial

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

### **3. Assessments**

#### **3.1 Equality Impact Assessment**

3.1.1 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.

3.1.2 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.

#### **3.2 Strategic Environmental Assessment**

3.2.1 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

3.2.2 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.

#### **3.3 Sustainability**

3.3.1 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.

3.3.2 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**

#### **4.1 Internal**

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

### **5. BACKGROUND PAPERS**

5.1 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 2015/16 by year and reason.

Appendix 2 – Council Tax debt written off in financial year 2015/16 by year and reason.

Appendix 3 – Non Domestic Rates debt written off in financial year 2015/16 by year and reason.

Appendix 4 – Irrecoverable Rents written off in financial year 2015/16 by year and reason.

Appendix 5 – Homeless debt written off in financial year 2015/16 by year and reason.

