

PERTH AND KINROSS COUNCIL

Strategic Policy and Resources Committee – 12 June 2013

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; Community Charge; Housing Benefit Overpayments; Commercial Rent and Car Park Trading Account Income. In addition approval is sought to write off obsolete stock.

1. BACKGROUND / MAIN ISSUES

- 1.1 In order that the appropriate entries may be made in the financial statements of the Council for the year ending 31 March 2013, 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 written off accounts, pending approval by the Committee of the recommendations within this report.
- 1.3 This report includes all of the recommended write offs for financial year 2012/13.

2. PROPOSALS

2.1 Sales Ledger

- 2.1.1 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 deceased or untraced debtors.
- 2.1.2 The total value of Sales Ledger invoices raised within financial year 2012/13 totalled approximately £21.6 million and the proposed write off for all years represents approximately 1.7% of this amount. After consultation with the Services who raised the original invoices, it is recommended that the Council write off £367,777.07 as shown in Appendix 1. The total provision included within the Council's accounts for bad and doubtful Sales Ledger debt at 31 March 2012 was £899,740.

- 2.1.3 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 2012/13.

2.2 Council Tax, Non-Domestic Rates and Community Charge

- 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 £743,746.15 of Council Tax debt (including Water and Waste Water Charges) with the overall provision for bad and doubtful Council Tax debt being £11,924,431 as at 31 March 2012. The amount recommended to be written off represents 0.85% of the £87.2 million of Council Tax (including Water and Waste Water Charges) levied for financial year 2012/13 with an in year collection rate of 96.63% as at March 2013 (96.58% in 2011/12). 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 £1.5 billion.
- 2.2.5 It is recommended that the Council write off £740,890.84 of Non-Domestic Rates. The provision for bad and doubtful Non-Domestic Rates debt was £403,785 at 31 March 2012. The amount recommended to be written off for all years represents 1.4% of the £51.7 million of Non Domestic Rates income raised in financial year 2012/13 with the in year collection rate being 97.97% as at March 2013 (97.86% in 2011/12).
- 2.2.6 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 amount of the proposed write off will, however, impact on the ability of the Council to achieve the Scottish Government target for the Business Rates Incentivisation scheme whereby the council receives 50% of the amount in excess of the target.
- 2.2.7 It is further recommended that the Council write on £126.17 of Community Charge debt transferred from a credit balance on Council Tax (the provision for bad and doubtful Community Charge debt was £1,329,425 as at 31 March 2012).

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 £94,151.54. The provision for bad and doubtful former tenant debt was £902,184 as at 31 March 2012. The total rental charges raised in 2012/13 were approximately £21.9 million with the proposed write off representing 0.4% of this amount.

2.4 Housing General Fund

- 2.4.1 Authority is requested to write off £41,337.77 in 2012/13 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 million was billed during 2012/13 for housing service charges and the proposed write off represents 1% of this amount. The provision for bad and doubtful debt in relation to this activity was £1,643,590 as at 31 March 2012.
- 2.4.2 Authority is also requested to write off Housing Benefit overpayment debt of £59,500.12 for 2012/13 which it has not been possible to recover. The provision for bad and doubtful Housing Benefit overpayment debt was £502,210 as at 31 March 2012. The total value billed within 2012/13 was £1.2 million and the proposed write off value for all years represents 5% of this amount.

2.5 Commercial Rent

- 2.5.1 Commercial Rent
Authority is requested to write off rent charges raised in respect of general fund commercial property amounting to £11,197 which it has not been possible to collect. This amount relates to a number of commercial rents outstanding prior to 30 September 2012. All debts are reviewed by the issuing service on a monthly basis to determine the appropriate course of action for effective collection. The provision for bad and doubtful debts was £32,157 as at 31 March 2012. £1.5 million was billed for General Fund property activities during 2012/13 and the proposed write off is equivalent to 0.7% of the amount of commercial rent billed.

2.6 Car Park Trading Account Income

- 2.6.1 Car Park Trading Account Income
Authority is requested to write off £131,977 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 2011. All debts are

reviewed by the issuing service on a monthly basis to determine the appropriate course of action for effective collection. The provision for bad and doubtful Car Park Trading Account debt was £134,045 as at 31 March 2012. The proposed write off is equivalent to 12.79% of the number of Penalty Charge Notices issued during 2011/12.

2.7 Stock Write Offs

2.7.1 The Environment Service

Authority is requested to write off obsolete stock of £3,000 in respect of vehicle parts at Friarton Depot. Full provision was made for this write off in the 2011/12 financial statements and there is, therefore, no financial impact on the 2012/13 financial year.

2.7.2 Housing Revenue Account

Authority is requested to write off £144 in respect of damaged stock. Full provision was made for this write off in the 2011/12 financial statements and there is, therefore, no financial impact on the 2012/13 financial year.

2.7.3 Education & Children's Services

Authority is requested to write off obsolete stock of £7,688 in respect of shop stock within Perth Museum and the J D Ferguson Gallery. Full provision was made for this write-off in the 2011/12 financial statements and there is, therefore, no financial impact on the 2012/13 financial year.

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 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.

3.2 It is recommended that the Committee:

- 1 Approve that all amounts detailed in section 3 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)

| Name | Designation | Contact Details |
|-----------------|-----------------------------|---------------------------------------|
| Craig Robertson | Assistant Exchequer Manager | crobertson@pkc.gov.uk 01738 475635 |

Approved

| Name | Designation | Signature |
|---------------------------|--------------------|------------------|
| John Symon | Head of Finance | John Symon |
| Date – 10 May 2013 | | |

If you or someone you know would like a copy of this document in another language or format, (on occasion only, a summary of the document will be provided in translation), this can be arranged by contacting Craig Robertson



Council Text Phone Number 01738 442573

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

The undernoted table should be completed for all reports. Where the answer is 'yes', the relevant section(s) should also be completed

| Strategic Implications | Yes / None |
|---|-------------------|
| Community Plan / Single Outcome Agreement | None |
| Corporate 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 and Governance | None |
| Risk | None |
| Consultation | |
| Internal | Yes |
| External | None |
| Communication | |
| Communications Plan | None |

1. Strategic Implications

1.1 Corporate 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 Executive 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 invoices written off in financial year 2012/13 by year and reason.

Appendix 2 – Council Tax debt written off in financial year 2012/13 by year and reason.

Appendix 3 – Non Domestic Rates debt written off in financial year 2012/13 by year and reason.

Appendix 4 – Irrecoverable Rents written off in financial year 2012/13 by year and reason.

APPENDIX 1

Sales Ledger Invoices Written Off in Financial Year 2013 by year and reasor

| <u>YEAR</u> | <u>GONE AWAY</u> | <u>NO FUNDS</u> | <u>UNECONOMICAL TO COLLECT</u> | <u>DECEASED (NO FUNDS)</u> | <u>SEQUESTRATION/ LIQUIDATIONS OR RECEIVERSHIP</u> | <u>**DEBT PRESCRIBED</u> | <u>TOTAL VAT EX</u> | <u>* VAT VALUE</u> | <u>TOTAL DEBT</u> |
|--------------|------------------|------------------|--------------------------------|----------------------------|--|--------------------------|---------------------|--------------------|-------------------|
| £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| 2002/03 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 6,976.70 | 6,976.70 | 0.00 | 6,976.70 |
| | | | | | | | | | |
| 2003/04 | 44.35 | 468.61 | 0.00 | 0.00 | 0.00 | 716.13 | 1,229.09 | 0.00 | 1,229.09 |
| | | | | | | | | | |
| 2004/05 | 57.50 | 937.39 | 0.00 | 0.00 | 0.00 | 3,088.80 | 4,083.69 | 0.00 | 4,083.69 |
| | | | | | | | | | |
| 2005/06 | 57.50 | 2,573.26 | 0.00 | 9,230.01 | 0.00 | 4,506.28 | 16,367.05 | 0.00 | 16,367.05 |
| | | | | | | | | | |
| 2006/07 | 1,475.23 | 6,007.15 | 0.00 | 8,946.49 | 27.17 | 4,712.28 | 21,168.32 | 0.00 | 21,168.32 |
| | | | | | | | | | |
| 2007/08 | 2,494.03 | 7,543.55 | 0.00 | 14,580.46 | 419.55 | 7,304.21 | 32,341.80 | 0.00 | 32,341.80 |
| | | | | | | | | | |
| 2008/09 | 6,300.98 | 14,107.16 | 3,514.78 | 17,481.24 | 512.32 | 3,243.00 | 45,159.48 | 0.00 | 45,159.48 |
| | | | | | | | | | |
| 2009/10 | 11,755.03 | 11,011.72 | 40,252.16 | 25,035.31 | 300.89 | 0.00 | 88,355.11 | 0.00 | 88,355.11 |
| | | | | | | | | | |
| 2010/11 | 15,358.58 | 8,171.50 | 22,283.00 | 24,868.42 | 9,117.90 | 0.00 | 79,799.40 | 5,007.55 | 84,806.95 |
| | | | | | | | | | |
| 2011/12 | 6,266.39 | 1,842.21 | 14,973.47 | 10,861.11 | 18,346.71 | 0.00 | 52,289.89 | 2,394.95 | 54,684.84 |
| | | | | | | | | | |
| 2012/13 | 1,313.81 | 2,155.24 | 2,588.86 | 4,557.77 | 859.40 | 0.00 | 11,475.08 | 1,128.96 | 12,604.04 |
| | | | | | | | | | |
| TOTAL | 45,123.40 | 54,817.79 | 83,612.27 | 115,560.81 | 29,583.94 | 30,547.40 | 359,245.61 | 8,531.46 | 367,777.07 |

* VAT Bad Debt Relief - The general rule is you must wait six months from when payment is due and payable or the date of supply to claim relief.
Then you have a four year period in which claim relief

APPENDIX 2

| Council Tax debt Written Off During in Financial Year 2012/13 by year and reason | | | | | | | |
|--|---------------------|----------------------|-------------|--------------------|----------------|--------------------------------|--------------------|
| Financial Year | Statutory Additions | Deceased - No Estate | No Trace | Sequestration etc. | Small Balances | Uneconomical to Pursue/Collect | Total |
| 1993 | £101.37 | £807.26 | -£829.78 | £43.53 | £0.00 | £0.00 | £122.38 |
| 1994 | £306.71 | £230.17 | -£463.87 | £178.42 | -£0.26 | -£15.78 | £235.39 |
| 1995 | £775.63 | £1,288.48 | £1,797.96 | £611.54 | £1.22 | £0.00 | £4,474.83 |
| 1996 | £878.40 | £1,788.85 | £2,931.31 | £2,106.36 | -£0.02 | £0.00 | £7,704.90 |
| 1997 | £1,451.22 | £2,051.27 | £6,715.17 | £2,593.25 | £1.19 | £49.47 | £12,861.57 |
| 1998 | £1,932.76 | £1,825.54 | £10,960.35 | £3,117.96 | £1.70 | £59.05 | £17,897.36 |
| 1999 | £1,814.08 | £2,773.42 | £12,024.59 | £2,248.97 | £1.38 | £122.80 | £18,985.24 |
| 2000 | £3,453.51 | £5,024.85 | £14,874.22 | £4,446.96 | £4.23 | £437.58 | £28,241.35 |
| 2001 | £4,134.07 | £3,961.82 | £18,695.44 | £8,918.05 | £20.70 | £107.71 | £35,837.79 |
| 2002 | £4,804.95 | £4,966.25 | £18,927.05 | £10,346.80 | -£1.63 | £0.00 | £39,043.42 |
| 2003 | £5,137.82 | £6,088.84 | £17,946.77 | £13,102.00 | £25.71 | £632.50 | £42,933.64 |
| 2004 | £4,309.93 | £4,044.37 | £6,450.37 | £15,686.60 | £29.36 | -£21.25 | £30,499.38 |
| 2005 | £4,206.15 | £3,454.75 | £5,343.30 | £19,523.00 | £130.68 | £281.74 | £32,939.62 |
| 2006 | £4,881.15 | £2,956.44 | £10,002.20 | £24,901.16 | £6.43 | £529.31 | £43,276.69 |
| 2007 | £6,664.27 | £4,701.42 | £7,019.59 | £37,584.32 | £4.75 | £0.00 | £55,974.35 |
| 2008 | £7,455.90 | £5,204.52 | £5,192.26 | £42,774.95 | £5.44 | £0.00 | £60,633.07 |
| 2009 | £8,880.47 | £7,870.83 | £5,010.35 | £49,874.73 | -£1.71 | £0.00 | £71,634.67 |
| 2010 | £8,543.79 | £7,441.45 | £4,168.67 | £58,508.04 | £3.23 | £0.00 | £78,665.18 |
| 2011 | £9,627.98 | £8,576.61 | £6,002.01 | £67,878.87 | -£101.98 | £493.74 | £92,477.23 |
| 2012 | £7,522.90 | £4,055.77 | £3,139.36 | £54,581.57 | £8.49 | £0.00 | £69,308.09 |
| Totals | £86,883.06 | £79,112.91 | £155,907.32 | £419,027.08 | £138.91 | £2,676.87 | £743,746.15 |

APPENDIX 4

Irrecoverable Rents Written Off in Financial Year 2012/13 by year and reason

| <u>YEAR</u> | <u>GONE AWAY</u> | <u>NO FUNDS</u> | <u>UNECONOMICAL TO COLLECT</u> | <u>DECEASED (NO FUNDS)</u> | <u>DEBT PRESCRIBED</u> | <u>TOTAL DEBT</u> |
|--------------|------------------|-----------------|--------------------------------|----------------------------|------------------------|-------------------|
| £ | £ | £ | £ | £ | £ | £ |
| 2005/06 | 0.00 | 325.59 | 32.87 | 0.00 | 3,102.86 | 3,461.32 |
| | | | | | | |
| 2006/07 | 536.07 | 0.00 | 13.89 | 229.08 | 18,178.47 | 18,957.51 |
| | | | | | | |
| 2007/08 | 7,275.90 | 1,991.42 | 135.52 | 386.40 | 15,256.44 | 25,045.68 |
| | | | | | | |
| 2008/09 | 1,733.04 | 3,600.70 | 398.26 | 1,109.28 | 3,001.93 | 9,843.21 |
| | | | | | | |
| 2009/10 | 1,010.64 | 5,911.71 | 755.80 | 101.64 | 0.00 | 7,779.79 |
| | | | | | | |
| 2010/11 | 184.22 | 3,085.37 | 1,177.89 | 2,702.68 | 0.00 | 7,150.16 |
| | | | | | | |
| 2011/12 | 35.91 | 3,580.70 | 683.53 | 5,486.61 | 0.00 | 9,786.75 |
| | | | | | | |
| 2012/13 | 0.00 | 5,588.61 | 278.24 | 6,260.37 | 0.00 | 12,127.22 |
| | | | | | | |
| TOTAL | 10,775.78 | ##### | 3,476.00 | 16,276.06 | 39,539.70 | 94,151.64 |

APPENDIX 3

Non-Domestic Rates debt Written Off in Financial Year 2012/13 by year and reason

| 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 | £231.62 | £0.00 | £0.00 | £231.62 |
| 1999 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £1,584.00 | £0.01 | £0.00 | £1,584.01 |
| 2000 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £379.12 | £0.00 | £0.00 | £379.12 |
| 2001 | £330.33 | £0.00 | £87.10 | £1,381.55 | £1,834.59 | £0.00 | £0.00 | £0.00 | £3,633.57 |
| 2002 | £805.72 | £0.00 | £0.00 | £1,980.08 | £6,704.46 | £0.00 | £0.00 | £0.00 | £9,490.26 |
| 2003 | £4,208.34 | £0.00 | £0.00 | £20,999.69 | £12,355.81 | £230.77 | £0.00 | £0.00 | £37,794.61 |
| 2004 | £2,586.26 | £0.00 | £0.00 | £946.67 | £17,554.44 | £2,029.83 | £0.00 | £0.00 | £23,117.20 |
| 2005 | £2,505.07 | £0.00 | £0.00 | £1,069.13 | £14,993.53 | £7,344.10 | £0.00 | £0.00 | £25,911.83 |
| 2006 | £2,975.31 | £0.00 | £402.13 | £5,834.05 | £11,809.57 | £4,656.62 | £0.00 | £0.00 | £25,677.68 |
| 2007 | £4,597.34 | £0.00 | £3,896.23 | £7,233.82 | £26,725.42 | £125.68 | £0.00 | £0.00 | £42,578.49 |
| 2008 | £5,166.06 | £0.00 | £1,526.39 | £19,855.61 | £37,198.09 | £5,756.75 | £0.00 | £0.00 | £69,502.90 |
| 2009 | £11,289.83 | £0.00 | £2,236.65 | £42,002.79 | £52,175.71 | £8,359.23 | £0.00 | £0.00 | £116,064.21 |
| 2010 | £19,939.16 | £0.00 | £0.00 | £58,927.13 | £122,309.23 | £21,924.67 | £0.43 | £0.00 | £223,100.62 |
| 2011 | £14,552.46 | £0.00 | £0.00 | £66,846.44 | £42,388.79 | £0.00 | £1.18 | £0.00 | £123,788.87 |
| 2012 | £904.02 | £0.00 | £0.00 | £24,431.36 | £12,700.23 | £0.00 | £0.24 | £0.00 | £38,035.85 |
| Totals | £69,859.90 | £0.00 | £8,148.50 | £251,508.32 | £358,749.87 | £52,622.39 | £1.86 | £0.00 | £740,890.84 |

