

PERTH & KINROSS COUNCIL

Finance & Resources Committee

15 June 2022

AUTHORITY TO WRITE OFF DEBTS AND OBSOLETE STOCK

Contact Officer: Stewart MacKenzie, Head of Finance
(Report No 22/123)

1. PURPOSE

- 1.1 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 other miscellaneous balances.

2. RECOMMENDATIONS

- 2.1 The Committee is requested to:

- i. approve that all amounts detailed in **section 4** and the attached appendices to this report are written off or on for accounting purposes.
- ii. 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 where recovery is cost effective.
- iii. approve the removal of charges for services for people seeking asylum – see **section 5**.

3. BACKGROUND

- 3.1 In order that the appropriate entries may be made in the Council's Annual Accounts for the year ending 31 March 2022, it is necessary to consider the write off of debts, obsolete stock and other miscellaneous balances.
- 3.2 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.
- 3.3 The debts included within this report have progressed through the Council's debt recovery process using the various legislative procedures available for each category of debt to collect the amounts outstanding. The amounts that 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 outstanding debt where it is cost effective to recover.

- 3.4 This report includes all the recommended write off and on amounts for financial year 2021/22.
- 3.5 As Covid-19 has continued to impact on customers in 2021/22 the Council has again sought to strengthen engagement throughout the debt recovery process. For individuals and families, this has continued by sign posting customers to the Council Tax and Housing Benefits; Welfare Rights and Tenancy Support teams to ensure that they have access to appropriate advice and support in claiming entitlements and maximising household income. For business customers, support and advice on accessing the various Scottish Government business grant schemes has been provided by the Council's business support team.

4. PROPOSALS

Sales Ledger

- 4.1 **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 untraceable.
- 4.2 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.
- 4.3 After consultation with Services who raised the original invoices, it is recommended that the Council write off **£281,710.91** as shown in **Appendix 1**. This amount includes debt relating to eight financial years from 2014/15 through to 2021/22. A comparison by Service between the current and the previous financial year is shown below.

Write off By Service	Total 2020/21	Total 2021/22
Corporate & Democratic Services	25.00	312.00
Education & Children's Services	79,477.41	30,862.23
Health & Social Care	89,567.44	92,644.41
Communities	79,186.91	157,892.27
	248,256.76	281,710.91

- 4.4 The total provision for bad and doubtful debts included within the Council's Annual Accounts for Sales Ledger debt at 31 March 2021 was **£1,161,527**. The total value of Sales Ledger invoices raised in financial year 2021/22

totalled approximately £24 million and the proposed write off for all years represents approximately 1.2% of this amount.

- 4.5 In most instances, accounts raised prior to 30 September 2020 carry a 50% provision whilst those raised prior to 31 March 2020 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.
- 4.6 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 2021/22.

Council Tax and Non-Domestic Rates

- 4.7 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. Approximately 77% of Council Tax customers currently pay by Direct Debit.
- 4.8 **Appendix 2** details Council Tax (including Water and Waste Water Charges) where the sum of **£278,900.17** has been deemed uncollectable (£308,841.98 in 2020/21). There is an overall provision for bad and doubtful Council Tax debt of £14,849,303.09 as at 31 March 2021.
- 4.9 The total amount of Council Tax billed for financial year 2021/22 was £117 million (including Water and Waste Water Charges), with an in-year collection rate of 97.70% (96.59% in 2020/21).
- 4.10 The proposed write offs relate to the last 29 financial years during which time the Council has raised over £2 billion in Council Tax and has continually delivered high collection levels.
- 4.11 **Appendix 3** details Non-Domestic Rates income totalling **£269,612.49** which it has not proved possible to collect for the reasons shown in the appendix (£96,256.26 was written off in 2020/21). The write off figures for 2021/22 show a significant increase in those reported for 2020/21. This is due to last year's figures for sequestration and liquidations etc being lower than normal as a result of the various moratoriums and relaxation of recovery action that were in place to protect financially vulnerable businesses at such a difficult time.
- 4.12 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 £613,199.92 at 31 March 2021.
- 4.13 The amount recommended to be written off for all years represents approximately 0.72% of the £37.2 million of Non-Domestic Rates income raised in financial year 2021/22. The in-year collection rate for Non-Domestic Rates was 94.29% for 2021/22 (95.83% in 2020/21).

- 4.14 These proposed write offs relate to the last 7 financial years during which time the Council has raised over £336 million in Non-Domestic Rates and has continually delivered high collection levels.
- 4.15 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.

Housing Revenue Account (Rents)

- 4.16 **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 set out.
- 4.17 A comprehensive review of former tenant arrears has been undertaken within Communities which has identified a requirement to write off **£363,100.10** (including £39,808.22 of sequestrations) of outstanding housing rent (£257,334.60 was written off in 2020/21). The provision for bad and doubtful Housing Revenue Account debt was £1,880,726 as at 31 March 2021. The in-year collection rate for Housing Rents was 99.08% for 2021/22 (96.91% in 2020/21). The total rental charges raised between the 1 March 2021 and 27 February 2022 were approximately £29million, with the proposed write off representing 1.11%.
- 4.18 Authority is also requested to write off outstanding arrears on garage sites and lock ups of **£2,955.41** (£2,202.94 was written off in 2020/21).
- 4.19 The overall proposed write off for the Housing Revenue Account is £366,055.51 (including sequestrations). The total rent charge raised for the period was £29,467,529.18, with the proposed write off representing 1.24%.
- 4.20 The write off for sequestrations for the same period amounts to **£39,808.22**.

Housing General Fund

- 4.21 **Appendix 5** details charges for those housing services administered through the Council's rent system, provided to Homeless clients placed in temporary accommodation. These tenancies have ended, and it has not proved possible to recover outstanding income, in part, due to the vulnerable nature of the client group.
- 4.22 Authority is requested to write off **£206,522.09** for the period 1 March 2021 to 28 February 2022 (£227,393.59 was written off in 2020/21) for rent and service charges for housing services provided to homeless households placed in temporary accommodation. The provision for bad and doubtful debts in relation to this activity was £746,660 as at 31 March 2021.

- 4.23 The majority of the write off for temporary accommodation, 80.42% (£166,079.35) is, in the main, due to arrears which accrued when rents and service charges were higher than at present and this debt has now become prescribed in the current financial year. A debt becomes prescribed where *“the debt is too old to be recovered and barred by statute (5 years or over)”*.
- 4.24 Authority is also requested to write off Housing Benefit overpayment debt of **£67,126** for 2021/22 (£36,192.11 was written off in 2020/21) which it has not proven possible to recover. The provision for bad and doubtful Housing Benefit overpayment debt was £840,821 as at 31 March 2021. The total value of Housing Benefit overpayments in 2021/22 was approximately £322,000 and the proposed write off value for all years represents 20.85% of this amount. The recovery of Housing Benefit payments, however, remains an ongoing process and £416,000 was recovered in 2021/22 which includes former debt.

Car Park Trading Account Income

- 4.25 Authority is requested to write off **£103,873** in respect of Car Park Trading Account Income (£163,154 was written off in 2020/21). This amount equates to all amounts charged and still outstanding in relation to the period prior to October 2020. The provision for bad and doubtful Car Park Trading Account debt was £110,564 as at 31 March 2021. The proposed write off is equivalent to 19.66% of the number of Penalty Charge Notices issued during 2020/21 (13.53% in the previous financial year).

Stock Write Offs

- 4.26 Authority is requested to write off obsolete stock of **£3,000** in respect of vehicle parts at Friarton Depot (£3,000 was written off in 2020/21). Full provision has been made for this write off.

Outstanding Balances

- 4.27 Authority is requested to write off outstanding balances over various accounts. These balances relate to transactions before 31 March 2021. The net amount of the outstanding balances is a write on totalling **£10,928.30** (£4,681 was written off in 2020/21).

5. CHARGES FOR ASYLUM SEEKERS

- 5.1 The Council is committed to supporting people that are seeking asylum and refugees and providing a safe and welcoming place for them. To support this, it is proposed to waive charges for all adult care and support services for people seeking asylum with no recourse to public funds and all refugees within Perth and Kinross.

5.2 To date, the demographic of people coming to Perth and Kinross has been predominantly younger adults, some with children and it is anticipated that this will continue, resulting in minimal additional demand for adult care and support services. On that basis, the financial consequences of this proposal will not be significant, and any additional costs can be contained within existing budgets.

5.3 It is proposed that this position is reviewed annually.

6. CONCLUSION

6.1 In all the above cases it has either not been possible to recover outstanding monies due to the Council or to utilise stocks held by the Council. The write off debt is only recommended after all means of recovery have been exhausted. Although the amounts will be written off for accounting purposes, the files are not closed, and every effort will be made to collect the outstanding debt where new information becomes available and where recovery is cost effective.

Approved

Name	Designation	Date
Stewart MacKenzie	Head of Finance	31 May 2022
Karen Donaldson	Chief Operating Officer	31 May 2022

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Council Text Phone Number 01738 442573

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 2018 – 2023 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.

2. 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.

3. APPENDICES

- Appendix 1 – Sales Ledger debt written off in financial year 2021/22 by year and reason.
- Appendix 2 – Council Tax debt written off in financial year 2021/22 by year and reason.
- Appendix 3 – Non Domestic Rates debt written off in financial year 2021/22 by year and reason.
- Appendix 4 – Irrecoverable Rents written off in financial year 2021/22 by year and reason.
- Appendix 5 – Homeless debt written off in financial year 2021/22 by year and reason.