

PERTH & KINROSS COUNCIL

Finance & Resources Committee

7 June 2023

AUTHORITY TO WRITE OFF DEBTS AND OBSOLETE STOCK

**Report by Head of Finance
(Report No. 23/174)**

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 off 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 for accounting purposes.
- (ii) note that whilst these amounts are written off, 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 for a further year – 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 2023, 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 2022/23.
- 3.5 The Council continues to support engagement with customers throughout the debt recovery process, particularly as a consequence of current increases in the cost of living. For individuals and families, this includes 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.

4. PROPOSALS

Sales Ledger

- 4.1 **Appendix 1** details Sales Ledger debt which it has not been possible to collect for various reasons. Sales ledger debt relates to outstanding income from a number of fees and charges levied for Council Services including Commercial Waste and Residential and Non-Residential Care. Many of these debts have been placed with Sheriff Officers, including instances where debtors are deceased or untraceable.
- 4.2 The Council has introduced several 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 **£268,887.05** as shown in **Appendix 1**. This amount includes debt relating to ten financial years from 2013/14 through to 2022/23. A comparison by Service between the current and the previous financial year is shown below.

Write off By Service	Total 2022/23	Total 2021/22
Corporate & Democratic Services	3,000.00	312.00
Education & Children's Services	20,446.12	30,862.23
Health & Social Care	80,046.04	92,644.41
Communities	165,394.89	157,892.27
	268,887.05	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 2022 was **£1,032,274**. The total value of Sales Ledger invoices raised in financial year 2022/23

totalled approximately £23 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 2021 carry a 50% provision whilst those raised prior to 31 March 2021 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 2022/23.

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 **£917,290.81** has been deemed uncollectable (£278,900.17) in 2021/22). There is an overall provision for bad and doubtful Council Tax debt of **£15,670,037.23** as at 31 March 2022.
- 4.9 In the report for the previous financial year (2021/22), the recommended Council Tax write off was shown "net" of £278,900 of historic small value credit balances where the householder could no longer be traced for a refund. Following the ongoing review of historic balances, the recommendation in this report includes £436,909 of debt balances where the debtor can no longer be traced. This has contributed to the movement between years in relation to the write off of Council Tax debt.
- 4.10 The total amount of Council Tax billed for financial year 2022/23 was £122 million (including Water and Waste Water Charges), with an in-year collection rate of 97.95% (97.17% in 2021/22). This is a high collection rate which is expected to be amongst the best in Scotland in 2022/23.
- 4.11 The proposed write offs relate to the last 30 financial years during which time the Council has raised over £2 billion in Council Tax and has continually delivered high collection levels.
- 4.12 **Appendix 3** details Non-Domestic Rates income totalling **£56,014.88** which it has not proved possible to collect for the reasons shown in the appendix (£269,612.49 was written off in 2021/22).
- 4.13 In terms of write offs relating to Non-Domestic Rates the costs are met by the Scottish Government through the "pool" mechanism. The provision for bad and doubtful Non-Domestic Rates debt was **£675,819.26** at 31 March 2022.

- 4.14 The amount recommended to be written off for all years represents approximately 0.1% of the £56.1 million of Non-Domestic Rates income raised in financial year 2022/23. The in-year collection rate for Non-Domestic Rates was 97.91% for 2022/23 (94.29% in 2021/22).
- 4.15 These proposed write offs relate to the last 8 financial years during which time the Council has raised over £395 million in Non-Domestic Rates and has also continually delivered high collection levels.
- 4.16 **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)

- 4.17 **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.
- 4.18 A comprehensive review of former tenant arrears has been undertaken within Communities which has identified a requirement to write off **£599,701.65** (including £36,727.07 of sequestrations) of outstanding housing rent (£363,100.10 was written off in 2021/22). The provision for bad and doubtful Housing Revenue Account debt was **£1,959,568** as at 31 March 2022. The in-year collection rate for Housing Rents was 98.61% for 2022/23 (99.08% in 2021/22).
- 4.19 Authority is also requested to write off outstanding arrears on garage sites and lock ups of **£1,758.29** (£2,955.41 was written off in 2021/22).
- 4.20 The overall proposed write off for the Housing Revenue Account is **£601,459.67** (including sequestrations). The total rent charge raised in 2022/23 was £30,074,461.60, with the proposed write off for all years representing 2% of this figure.

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 **£123,654.38** (including £259.22 for sequestrations) for the period 1 March 2022 to 28 February 2023 (£206,522.09 was written off in 2021/22) 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 **£576,835.23** as at 31 March 2022.

- 4.23 The majority of the write off for temporary accommodation, 58.06% (£71,655.01) 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 **£36,763** for 2022/23 (£67,126 was written off in 2021/22) which it has not proven possible to recover. The provision for bad and doubtful Housing Benefit overpayment debt was **£745,682** as at 31 March 2022. The total value of Housing Benefit overpayments in 2022/23 was approximately £351,000 and the proposed write off value for all years represents 10.47% of this amount. The recovery of Housing Benefit payments, however, remains an ongoing process and £347,000 was recovered in 2022/23 which includes former debt.

Car Park Trading Account Income

- 4.25 Authority is requested to write off **£220,341** in respect of Car Park Trading Account Income (£103,873 was written off in 2021/22). This amount equates to all amounts charged and still outstanding in relation to the period prior to October 2021. The provision for bad and doubtful Car Park Trading Account debt was £236,370 as at 31 March 2022. The proposed write off is equivalent to 12.92% of the number of Penalty Charge Notices issued during 2021/22 (19.66% in the previous financial year).

Stock Write Offs

- 4.26 Authority is requested to write off obsolete stock of **£2,000** 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 off totalling **£7,211.48** (£10,928.30 was written on in 2021/22).

5. SUPPORT FOR PEOPLE SEEKING ASYLUM

- 5.1 The Council remains committed to providing a safe and welcoming place for people who are seeking asylum and refugees. To support this, for 2021/22 it was agreed that 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 should be waived. It was also agreed that this position would be reviewed annually.
- 5.2 The demographic of people coming to Perth and Kinross has and continues to be 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. The costs of this proposal are, therefore, nominal.

- 5.3 It is proposed that this position is maintained for 2023/24 and reviewed for 2024/25.

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

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Approved

Name	Designation	Date
Stewart MacKenzie	Head of Finance	30.05.2023
Karen Donaldson	Chief Operating Officer	30.05.2023

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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 2022 – 2027 lays out seven 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:

- Tackling poverty
- Tackling climate change and supporting sustainable places
- Growing a sustainable and inclusive local economy
- Enabling our children and young people to achieve their full potential
- Protecting and caring for our most vulnerable people
- Supporting and promoting physical and mental wellbeing
- Placing communities at the heart of how we work

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, Executive Directors and the Chief Operating Officer 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 2022/23 by year and reason.

Appendix 2 – Council Tax debt written off in financial year 2022/23 by year and reason.

Appendix 3 – Non Domestic Rates debt written off in financial year 2022/23 by year and reason.

Appendix 4 – Irrecoverable Rents written off in financial year 2022/23 by year and reason.

Appendix 5 – Homeless debt written off in financial year 2022/23 by year and reason.