

PERTH & KINROSS COUNCIL

Strategic Policy & Resources Committee

12 June 2019

AUTHORITY TO WRITE OFF DEBTS AND OBSOLETE STOCK

Report by the Head of Finance (Report No. 19/172)

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 process other miscellaneous small adjustments.

1. BACKGROUND / MAIN ISSUES

- 1.1 In order that the appropriate entries may be made in the Council's Annual Accounts for the year ending 31 March 2019, it is necessary to consider the write off of debts and obsolete stock and other miscellaneous adjustments.
- 1.2 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.
- 1.3 The debts included within this report have progressed through the Council's debt recovery process using the various legislative procedures available for each type to collect the amounts outstanding. The amounts that still 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 wherever possible.
- 1.4 This report includes all the recommended write off and on amounts for financial year 2018/19.

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 been placed with Sheriff Officers, including instances where debtors are deceased or untraceable.

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 also sets out the debt recovery process for Sales Ledger debt.

- 2.1.2 After consultation with the Services who raised the original invoices, it is recommended that the Council write off £181,300.25 as shown in Appendix 1. This amount includes debt relating to seven financial years from 2012/13 through to 2018/19. A Service by Service comparison has been shown below between the current and the previous financial year.

Write off By Service	Total 2018/19	Total 2017/18
Corporate & Democratic Services	549.74	0.00
Education & Children's Services	7,921.86	9,476.13
Health & Social Care	57,073.56	67,837.01
Housing & Environment	115,755.09	86,060.46
	181,300.25	163,373.60

- 2.1.3 The total provision included within the Council's accounts for bad and doubtful Sales Ledger debt at 31 March 2018 was £816,091.00. The total value of Sales Ledger invoices raised in financial year 2018/19 totalled approximately £25 million and the proposed write off for all years represents approximately 0.7% of this amount.
- 2.1.4 In most instances, accounts raised prior to 30 September 2017 carry a 50% provision whilst those raised prior to 31 March 2017 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.
- 2.1.5 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 2018/19.

2.2 Council Tax and Non-Domestic Rates

- 2.2.1 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, Council Tax currently have 74.5% of customers paying by Direct Debit.
- 2.2.2 Appendix 2 details Council Tax (including Water and Waste Water Charges) where the sum of £309,995.25 has been deemed uncollectable (£479,983.47 in 2017/18). There is an overall provision for bad and doubtful Council Tax debt of £12,924,036.44 as at 31 March 2018.
- 2.2.3 The total amount of Council Tax billed for financial year 2018/19 was £105.2 million (including Water and Waste Water Charges), with an in-year collection rate of 97.38% (97.35% in 2017/18).

- 2.2.4 The proposed write offs relate to the last 26 financial years during which time the Council has raised over £1.9 billion in Council Tax and has continually delivered high collection levels.
- 2.2.5 Appendix 3 details Non-Domestic Rates income totalling £380,984.72 which it has not proved possible to collect for the reasons shown in the appendix (£411,517.12 was written off in 2017/18).
- 2.2.6 It is recommended that the Council write off £380,984.72 of Non-Domestic Rates. 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 £653,910.24 at 31 March 2018.
- 2.2.7 The amount recommended to be written off for all years represents approximately 0.7% of the £58.9 million of Non Domestic Rates income raised in financial year 2018/19. The in year collection rate for Non Domestic Rates was 98.42% for 2018/19 (98.37% in 2017/18).
- 2.2.8 These proposed write offs relate to the last 18 financial years during which time the Council has raised over £857 million in Non-Domestic Rates and has continually delivered high collection levels.
- 2.2.9 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.

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 A comprehensive review of Former Tenant Arrears has been undertaken within Housing & Environment which has identified a requirement to write off £373,260.34 of outstanding housing rent (£998,921.60 was written off in 2017/18) – see Appendix 4. The provision for bad and doubtful Housing Revenue Account debt was £1,099,207 as at 31 March 2018. The in year collection rate for Housing Rents was 98.57% for 2018/19 (98.73% in 2017/18). The total rental charges raised between the 1 March 2018 and 28 February 2019 were approximately £24.1 million.
- 2.3.3 The proposed write off for mainstream rents primarily relates to the last 6 financial years, during which time the total amount of rent charged is approximately £150 million. The proposed write off for mainstream rents within the report represents approximately 0.25% of the rent charged over the last 6 years.

2.3.4 Authority is also requested to write off garage sites and lock ups £23,241.46 (£16,248.62 was written off in 2017/18).

2.4 Housing General Fund

2.4.1 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.

2.4.2 Authority is requested to write off £1,015,202.79 in 2018/19 (£189,126.12 was written off in 2017/18) for rent and service charges for housing services provided to 1,060 homeless households placed in temporary accommodation (rent and service charges as detailed in Appendix 5). This proposal relates to debt raised over seven financial years during which the total charge raised was in the region of £15 million. The provision for bad and doubtful debts in relation to this activity was £1,863,731 as at 31 March 2018.

2.4.3 The nature of many homeless people's lifestyles meant that they were in and out of part-time, low paid work, in and out of temporary accommodation and struggled to have ready the verification documentation required. The roll out of the highly successful Homefirst project has reduced the overall rent charge. The high value of write off for temporary accommodation in the current year is, in the main, due to 46.56% (£472,675.72) of the debt becoming prescribed within the current reporting financial year. A debt becomes prescribed where "the debt is too old to be recovered and barred by statute (5 years or over)"

2.4.4 Authority is also requested to write off Housing Benefit overpayment debt of £109,311.84 for 2018/19 (£77,860.43 was written off in 2017/18) which it has not proven possible to recover. During 2018/19 the Council was able to recover 86% (74% in 2017/18) of Housing Benefit overpayments which, based on previous benchmarking would place it near the top quartile in terms of performance. The provision for bad and doubtful Housing Benefit overpayment debt was £890,020 as at 31 March 2018. The total value of Housing Benefit overpayments within 2018/19 was £893,903 and the proposed write off value for all years represents approximately 12.23% of this amount.

2.5 Car Park Trading Account Income

2.5.1 Car Park Trading Account Income

Authority is requested to write off £98,483 in respect of Car Park Trading Account Income (£70,374 was written off in 2017/18). This amount equates to all amounts charged and still outstanding in relation to the period prior to October 2017. The provision for bad and doubtful Car Park Trading Account debt was £118,261 as at 31 March 2018. The proposed write off is equivalent

to 7.71% of the number of Penalty Charge Notices issued during 2017/18 (10.02% in the previous financial year).

2.6 Stock Write Offs

2.6.1 The Environment Service

Authority is requested to write off obsolete stock of £3,000 in respect of vehicle parts at Friarton Depot (£5,000 was written off in 2017/18). Full provision was made for the write off in the 2017/18 financial statements and there is, therefore, no financial impact on the 2017/18 financial year.

2.7 Outstanding Balances

2.7.1 Authority is requested to write on/off a small number of outstanding balances over various accounts. These balances relate to transactions before 31 March 2018. The net amount of the outstanding balances is a write on totalling £33,579.91 (£8,995.17 was written off in 2017/18).

3. CONCLUSION AND RECOMMENDATIONS

3.1 In all of the above cases it has either not been possible, so far, 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 or on for accounting purposes.
- 2 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 wherever possible.

Author(s)

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Approved

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Stewart MacKenzie	Head of Finance	20 May 2019

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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

1.1 Strategic Plan

1.1.1 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.

1.1.2 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

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 2018/19 by year and reason.

Appendix 2 – Council Tax debt written off in financial year 2018/19 by year and reason.

Appendix 3 – Non Domestic Rates debt written off in financial year 2018/19 by year and reason.

Appendix 4 – Irrecoverable Rents written off in financial year 2018/19 by year and reason.

Appendix 5 – Homeless debt written off in financial year 2018/19 by year and reason.