

PERTH AND KINROSS COUNCIL

Strategic Policy and Resources Committee – 17 June 2015

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 financial statements of the Council for the year ending 31 March 2015, 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 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 2014/15.

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 £180,454.06 as shown in Appendix 1. The total provision included within the Council's accounts for bad and doubtful Sales Ledger debt at 31 March 2014 was £562,209. The total value of Sales Ledger invoices raised within financial year 2014/15 totalled approximately

£31 million and the proposed write off for all years represents approximately 0.6% of this amount.

- 2.1.3 In most instances, accounts raised prior to 30 September 2013 carry a 50% provision whilst those raised prior to 31 March 2013 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 2014/15.

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 £532,091.20 of Council Tax debt (including Water and Waste Water Charges) with the overall provision for bad and doubtful Council Tax debt being £12,106,772 as at 31 March 2014. The amount recommended to be written off represents approximately 0.6 % of the £90.4 million of Council Tax (including Water and Waste Water Charges) levied for financial year 2014/15. The in year collection rate for Council Tax was 97.06% as at March 2015 (97.24% in 2013/14). The Council were placed 5th out of 32 local authorities in 2013/14 for the in year Council Tax percentage received.
- 2.2.5 It is recommended that the Council write off £625,556.10 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 £801,354 at 31 March 2014.
- 2.2.6 The amount recommended to be written off for all years represents approximately 1.2% of the £53.8 million of Non Domestic Rates income raised in financial year 2014/15. The in year collection rate for Non Domestic Rates was 98.25% as at March 2015 (98.4% in 2013/14).
- 2.2.7 A Bill to cease the collection of Community Charge Debt was passed by the Scottish Parliament on 19 February 2015 and received Royal Assent on 25 March 2015. The total Community Charge debt as at 31 March 2015 was £1,598,469.73. This is split as follows £1,329,480.25 for Community Charge and £268,989.48 for Statutory Additions. All Community Charge debt and Statutory Additions has been provided for.

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 £60,964.25 and £9,258.14 in respect of garage sites and lock ups. The provision for bad and doubtful Housing Revenue Account debt was £1,335,478 as at 31 March 2014. The in year collection rate for Housing Rents was 96.1% as at 31 March 2015 (98.1% in 2013/14). The total rental charges raised in 2014/15 was approximately £17.3 million with the proposed write off representing approximately 0.39% of this amount.

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 £48,974.22 in 2014/15 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 £2,107,972 as at 31 March 2014. The total amount billed during 2014/15 for housing service charges was £1.8 million with the proposed write off representing approximately 2.79% of this amount.
- 2.4.3 Authority is also requested to write off Housing Benefit overpayment debt of £59,296.52 for 2014/15 which has not been possible to recover. The provision for bad and doubtful Housing Benefit overpayment debt was £693,202 as at 31 March 2014. The total value billed of overpayments within 2014/15 was £1.2 million and the proposed write off value for all years represents approximately 4.7% of this amount.

2.5 Car Park Trading Account Income

- 2.5.1 Car Park Trading Account Income
Authority is requested to write off £109,134 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 2013. The provision for bad and doubtful Car Park Trading Account debt was £117,945 as at 31 March 2014. The proposed write off is equivalent to 10.21% 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 £8,593 in respect of vehicle parts at Friarton Depot and plant stock at Westbank Nursery. Full provision was made for the write off in the 2013/14 financial statements and there is, therefore, no financial impact on the 2014/15 financial year.

2.6.2 Housing Revenue Account

Authority is requested to write off £226.99 in respect of damaged stock. Full provision was made for this write-off in the 2013/14 Final accounts and therefore there is no financial impact on the 2014/15 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 as far back as Financial Year 2002/2003. The net amount of the outstanding balances is a credit totalling £15,735.00.

2.8 Pitlochry Festival Theatre Loan

Authority is requested to write off the loan of £200,000 paid to Pitlochry Festival Theatre (PFT) in 2011. This loan was made during a period of financial challenge for the organisation. It has taken steps in recent years to improve its financial monitoring (it uses much more detailed box office data, for example) and has looked to achieve savings where possible. PFT has a £20M+ capital vision which it is working to achieve by 2021 and the write off will provide immediate additional revenue stability whilst it prepares its fundraising strategy and full business case with which to approach major external sources for capital.

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
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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 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 debt written off in financial year 2014/15 by year and reason.

Appendix 2 – Council Tax debt written off in financial year 2014/15 by year and reason.

Appendix 3 – Non Domestic Rates debt written off in financial year 2014/15 by year and reason.

Appendix 4 – Irrecoverable Rents written off in financial year 2014/15 by year and reason.

Appendix 5 – Homeless debt written off in financial year 2014/15 by year and reason.

Sales Ledger Debt Written off in financial year 2014/15 by year and reason											
YEAR	GONE AWAY	NO FUNDS	UNECONOMICAL TO COLLECT	DECEASED (NO FUNDS)	SEQ/LIQ OR REC	DEBT PRESCRIBED	TOTAL VAT EX	VAT VALUE	TOTAL DEBT		
2005/06	0.00	0.00	0.00	0.00	0.00	104.49	104.49	0.00	104.49		
2006/07	0.00	0.00	0.00	0.00	0.00	28.75	28.75	0.00	28.75		
2007/08	0.00	0.00	0.00	0.00	0.00	898.75	898.75	0.00	898.75		
2008/09	0.00	0.00	0.00	0.00	0.00	3,563.15	3,563.15	0.00	3,563.15		
2009/10	0.00	70.00	239.10	188.60	0.00	8,031.25	8,528.95	0.00	8,528.95		
2010/11	1,256.74	14,361.19	698.89	1,127.47	2,437.78	1,357.73	21,239.80	281.21	21,521.01		
2011/12	1,699.27	3,053.47	404.61	3,752.98	8,010.37	0.00	16,920.70	223.83	17,144.53		
2012/13	3,476.99	10,267.33	2,797.51	16,769.05	8,133.27	0.00	41,444.15	3,429.73	44,873.88		
2013/14	4,142.28	15,722.10	3,534.36	34,507.76	2,228.58	0.00	60,135.08	2,288.57	62,423.65		
2014/15	195.71	1,812.80	791.96	17,731.65	239.65	0.00	20,771.77	595.13	21,366.90		
TOTAL	10,770.99	45,286.89	8,466.43	74,077.51	21,049.65	13,984.12	173,635.59	6,818.47	180,454.06		

The Council has been able to claim back £6,562.33 in VAT due to the VAT Bad debt relief (PKC cannot claim for the first 6 months, however the Council can claim back 4 years prior to this to 30 September 2010).

Sales Ledger Debt Recovery Process

Day 1 - Invoice issued, if not paid

Day 29 - Final Notice issued, if not paid

Day 44 - 7 Day letter issued, if not paid

Thereafter, each case is looked at individually and most cases are then passed to either the Sherriff Officer or Legal Services to collect.

Council Tax Debt Written Off in Financial Year 2014/15 by year and reason										
Financial Year	Statutory Additions	Deceased - No Estate	No Trace	Sequestration etc.	Small Balances	Uneconomical to Pursue/Collect	Total			
1993/94	£341.55	£618.40	£141.54	£574.40	£6.35	£0.00	£1,682.24			
1994/95	£246.81	£1,532.91	-£753.56	£1,133.28	£26.36	£0.00	£2,185.80			
1995/96	£411.28	£1,433.27	-£737.30	£1,995.46	£16.76	£0.00	£3,119.47			
1996/97	£778.88	£1,283.04	-£161.66	£2,612.26	£25.17	£104.25	£4,641.94			
1997/98	£567.29	£895.20	-£547.11	£2,642.21	£17.63	£375.33	£3,950.55			
1998/99	£785.54	£2,512.97	£334.39	£962.79	£22.98	£430.79	£5,049.46			
1999/00	£1,058.72	£3,524.92	£2,359.78	£1,632.22	£8.18	£729.47	£9,313.29			
2000/01	£871.77	£3,996.99	£1,045.43	£2,242.54	£9.58	£681.33	£8,847.64			
2001/02	£1,492.00	£4,221.32	£3,968.45	£3,460.31	£16.33	£791.92	£13,950.33			
2002/03	£2,074.40	£5,825.68	£4,985.03	£6,218.23	£12.08	£362.31	£19,477.73			
2003/04	£2,415.20	£6,988.44	£3,303.60	£5,980.16	£21.01	£3.94	£18,712.35			
2004/05	£1,751.44	£4,106.58	£3,034.74	£5,817.46	£26.91	£25.30	£14,762.43			
2005/06	£3,301.69	£6,686.24	£6,665.40	£8,658.74	£6.43	£0.00	£25,318.50			
2006/07	£2,943.09	£7,750.92	£2,277.54	£11,089.55	£19.08	£14.58	£24,094.76			
2007/08	£4,754.63	£8,164.13	£5,629.06	£18,222.13	£46.30	£9.10	£36,825.35			
2008/09	£4,583.71	£7,800.96	£4,695.00	£16,168.25	£21.16	£2.60	£33,271.68			
2009/10	£4,598.91	£9,214.95	£10,074.41	£14,064.37	£34.61	£0.00	£37,987.25			
2010/11	£5,696.31	£8,091.97	£11,540.11	£21,876.84	£43.16	£97.64	£47,346.03			
2011/12	£6,516.21	£4,991.29	£11,236.04	£32,460.75	£80.59	£34.24	£55,319.12			
2012/13	£7,626.77	£8,022.91	£12,875.94	£36,279.41	£55.76	£54.73	£64,915.52			
2013/14	£7,534.59	£5,881.29	£5,025.95	£41,736.23	£0.25	£1,331.11	£61,509.42			
2014/15	£4,135.57	£1,749.25	£701.31	£33,103.51	£19.94	£100.76	£39,810.34			
Totals	£64,486.36	£105,293.63	£87,694.09	£268,931.10	£536.62	£5,149.40	£532,091.20			

Council Tax Debt Recovery Process

Day 1 - Bill Issued with instalment details, if not paid

Reminder issued giving 14 days to payment, if not paid

Summary Warrant applied for - 10% penalty applied, charge becomes payable in full, if not paid

Sheriff Officer instructed to collect debt, if not paid

Sheriff Officer serve a "Charge for payment" to allow diligence

Non-Domestic Rates Written Off in Financial Year 2014/15 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
2000/01	£0.00	£0.00	£62.88	£0.00	£0.00	£0.00	£0.01	£0.00	£62.89
2001/02	-£75.35	£0.00	-£511.98	£0.00	£0.00	£0.00	£0.00	£0.00	-£587.33
2002/03	£0.00	£679.57	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£679.57
2003/04	£75.72	£0.00	£119.10	£0.00	£578.08	£0.00	£0.00	£0.00	£772.90
2004/05	£242.53	£165.15	£200.04	£0.00	£1,475.89	£0.00	£0.00	£0.00	£2,083.61
2005/06	£13.79	£0.00	£0.00	£0.00	£137.90	£0.00	£0.00	£0.00	£151.69
2006/07	£69.56	£0.00	£695.57	£0.00	£0.00	£0.00	£0.35	£0.00	£765.48
2007/08	£0.00	£0.00	£0.00	-£131.10	£0.00	£0.00	£0.02	£0.00	-£131.08
2008/09	£49.24	£0.00	£492.35	£0.00	£0.00	£0.00	£0.00	£0.00	£541.59
2009/10	£743.24	£0.00	£1,844.11	£3,602.39	£0.00	£0.00	£0.00	£0.00	£6,189.74
2010/11	£1,636.50	£600.33	£645.77	£14,626.61	£0.00	£0.00	-£0.01	£0.00	£17,509.20
2011/12	£2,216.45	£0.00	£543.15	£9,005.04	£2,480.56	£1,120.87	£1.32	£0.00	£15,367.39
2012/13	£7,150.35	£0.00	£4,786.20	£21,487.99	£65,884.84	£8,956.57	-£0.01	£0.00	£108,265.94
2013/14	£21,586.07	£0.00	£14,757.02	£48,766.81	£198,533.08	£0.00	£3.38	£0.00	£283,646.36
2014/15	£17,021.77	£0.00	£4,587.58	£30,651.29	£137,960.38	£0.00	£17.13	£0.00	£190,238.15
Totals	£50,729.87	£1,445.05	£28,221.79	£128,009.03	£407,050.73	£10,077.44	£22.19	£0.00	£625,556.10

Non-Domestic Rates Debt Recovery Process

Formal recovery cannot take place until 30 September each year, if not paid

Ratepayer must be 2 instalments in arrears, final notice is issued, if not paid

Summary Warrant applied for - 10% penalty applied, charge becomes payable in full, if not paid

Sheriff Officer instructed to collect debt, if not paid

Sheriff Officer serve a "Charge for payment" to allow diligence

Irrecoverable Rents Debt Written off in financial year 2014/15 by year and reason

YEAR	GONE AWAY	NO FUNDS	UNECONOMICAL TO COLLECT	DECEASED (NO FUNDS)	DEBT PRESCRIBED	TOTAL DEBT
prior to 2007	-£368.26	£325.59	-£98.24	-£430.76	£0.00	-£571.67
2007/08	£118.16	£9,202.78	-£0.78	-£5.78	£1,940.69	£11,255.07
2008/09	-£67.19	£2,777.07	-£21.85	-£100.80	£3,405.85	£5,993.08
2009/10	£2,184.69	£6,917.92	£57.90	-£127.83	£2,683.24	£11,715.92
2010/11	£0.00	£216.25	£154.97	-£1,050.48	£0.00	-£679.26
2011/12	£14.35	£4,399.99	£218.29	-£322.66	£0.00	£4,309.97
2012/13	£89.38	£2,295.61	£59.58	£1,046.60	£0.00	£3,491.17
2013/14	£691.04	£1,163.89	£237.33	£3,502.66	£0.00	£5,594.92
2014/15	£0.00	£22,148.03	£237.15	£6,728.01	£0.00	£29,113.19
TOTAL	£2,662.17	£27,299.10	£607.20	£2,510.95	£8,029.78	£70,222.39

Irrecoverable Rents Debt Recovery Process

- Day 14 - Arrears reminder letter sent, if not paid
- Day 21 - Attempt Contact with tenant, if not paid
- Day 28 - Further investigation either 7 day non-occupation letter or Pre Notice of Proceedings letter sent, if not paid
- Day 35 - Notice of Proceedings served by Sheriff Officer, if not paid
- Day 42 - Visit to tenant, if not paid
- Day 49 - Warning Letter Generated with effective date of Notice of Proceedings and possible court action, if not paid
- Day 56 - Taken to Eviction Prevention Panel and authorisation for Court Action sought

Homeless Debt Written Off in financial year 2014/15 by year and reason

YEAR	GONE AWAY	UNECONOMICAL TO COLLECT	OVER 5 YEARS	DECEASED	TOTAL DEBT
prior to 2007	£0.00	£0.00	£4,726.08	£0.00	£4,726.08
2007/08	£0.00	£0.00	£70.57	£0.00	£70.57
2008/09	£0.00	£0.00	£130.03	£0.00	£130.03
2009/10	£9,107.35	£516.52	£0.00	£0.00	£9,623.87
2010/11	£0.00	£142.32	£0.00	£0.00	£142.32
2011/12	£0.00	£1,933.76	£0.00	£792.74	£2,726.50
2012/13	£0.00	£7,806.60	£0.00	£501.37	£8,307.97
2013/14	£0.00	£12,486.85	£0.00	£0.00	£12,486.85
2014/15	0.00	10760.03	0.00	0.00	10760.03
TOTAL	£9,107.35	£33,646.08	£4,926.68	£1,294.11	£48,974.22

Homeless Debt Recovery Process

- Day 14 - Arrears reminder letter sent, if not paid
- Day 21 - Attempt Contact with tenant, if not paid
- Day 28 - Further investigation either 7 day non-occupation letter or Pre Notice of Proceedings letter sent, if not paid
- Day 35 - Notice of Proceedings served by Sheriff Officer, if not paid
- Day 42 - Visit to tenant, if not paid
- Day 49 - Warning Letter Generated with effective date of Notice of Proceedings and possible court action, if not paid
- Day 56 - Taken to Eviction Prevention Panel and authorisation for Court Action sought

