

PERTH AND KINROSS COUNCIL

Strategic Policy and Resources Committee – 11 June 2014

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 2014, 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 debt type 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 2013/14.

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 2013/14 totalled approximately £28.1 million and the proposed write off for all years represents approximately 1.5% of this amount. After consultation with the Services who raised the original invoices, it is recommended that the Council write off £410,435.23 as shown in Appendix 1. The total provision included within the Council's accounts for bad and doubtful Sales Ledger debt at 31 March 2013 was £671,683.

- 2.1.3 In most instances, accounts raised prior to 30 September 2012 carry a 50% provision whilst those raised prior to 31 March 2012 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 2013/14.

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 £711,614.08 of Council Tax debt (including Water and Waste Water Charges) with the overall provision for bad and doubtful Council Tax debt being £12,921,371 as at 31 March 2013. The amount recommended to be written off represents approximately 0.8% of the £89.2 million of Council Tax (including Water and Waste Water Charges) levied for financial year 2013/14. The in year collection rate for Council Tax was 97.24% as at March 2013 (96.63% in 2012/13). This represents the highest ever in year collection rate achieved by Perth and Kinross Council. 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 £1.6 billion.
- 2.2.5 It is recommended that the Council write off £581,100.92 (including Sheriff Officer Write Offs) 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 amount of the proposed write off may, 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. The provision for bad and doubtful Non-Domestic Rates debt was £943,451.79 at 31 March 2013.
- 2.2.6 The amount recommended to be written off for all years represents approximately 1.1% of the £54 million of Non Domestic Rates income raised in financial year 2013/14. The in year collection rate for Non Domestic Rates was 98.40% as at March 2013 (97.97% in 2012/13). This represents the highest ever in year collection rate achieved by Perth and Kinross Council

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 £73,826.87 and £4,093.82 in respect of garage sites and lock ups. The provision for bad and doubtful Housing Revenue Account debt was £1,088,538 as at 31 March 2013. The in year collection rate for Housing Rents was 98.1% as at 31 March 2014 (97.82% in 2012/13). The total rental charges raised in 2013/14 were approximately £23.4 million with the proposed write off representing approximately 0.33% of this amount.

2.4 Housing General Fund

- 2.4.1 Appendix 5 details charges for housing services provided to Homeless clients through the Council's rent system placed in temporary accommodation where the tenancy 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 £192,370.09 in 2013/14 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 £1,789,657 as at 31 March 2013. The total amount billed during 2013/14 for housing service charges was £3.3 million with the proposed write off representing approximately 5.8% of this amount.
- 2.4.3 Authority is also requested to write off Housing Benefit overpayment debt of £44,508 for 2013/14 which it has not been possible to recover. The provision for bad and doubtful Housing Benefit overpayment debt was £632,834 as at 31 March 2013. The total value billed within 2013/14 was £1.2 million and the proposed write off value for all years represents approximately 3.7% of this amount.

2.5 Car Park Trading Account Income

- 2.5.1 Car Park Trading Account Income
Authority is requested to write off £106,755 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 2012. The provision for bad and doubtful Car Park Trading Account debt was £124,914 as at 31 March 2013. The proposed write off is equivalent to 10.88% of the number of Penalty Charge Notices issued during 2013/14.

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. Full provision was made for the write off in the 2012/13 financial statements and there is, therefore, no financial impact on the 2012/13 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 £14,495.12.

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. 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 |
|------------|-----------------|------------|
| John Symon | Head of Finance | 13/05/2014 |

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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 |
| 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 2013/14 by year and reason.

Appendix 2 – Council Tax debt written off in financial year 2013/14 by year and reason.

Appendix 3 – Non Domestic Rates debt written off in financial year 2013/14 by year and reason.

Appendix 4 – Irrecoverable Rents written off in financial year 2013/14 by year and reason.

Appendix 5 – Homeless debt written off in financial year 2013/14 by year and reason.

Perth and Kinross Council Sales Ledger Debt proposed to be Written off as at March 2014

Appendix 1

| <u>YEAR</u> | <u>GONE AWAY</u> | <u>NO FUNDS</u> | <u>UNECONOMICAL TO COLLECT</u> | <u>DECEASED (NO FUNDS)</u> | <u>SEQ/LIQ OR REC</u> | <u>DEBT PRESCRIBED</u> | <u>TOTAL VAT EX</u> | <u>VAT VALUE</u> | <u>TOTAL DEBT</u> |
|--------------|----------------------|--------------------|------------------------------------|--------------------------------|---------------------------|----------------------------|-------------------------|----------------------|-----------------------|
| 2002/03 | | | | | £3,780.00 | £279.62 | £4,059.62 | | £4,059.62 |
| | | | | | | | | | |
| 2003/04 | | | | | £2,748.00 | £573.70 | £3,321.70 | | £3,321.70 |
| | | | | | | | | | |
| 2004/05 | | | | | | £6,151.50 | £6,151.50 | | £6,151.50 |
| | | | | | | | | | |
| 2006/07 | | | | | £8,878.02 | £3,676.27 | £12,554.29 | | £12,554.29 |
| | | | | | | | | | |
| 2007/08 | | | | | | £6,744.97 | £6,744.97 | | £6,744.97 |
| | | | | | | | | | |
| 2008/09 | | £635.33 | £392.60 | | | £8,805.39 | £9,833.32 | | £9,833.32 |
| | | | | | | | | | |
| 2009/10 | £397.26 | £15,048.61 | £8,591.98 | £8,650.01 | | £130.20 | £32,818.06 | | £32,818.06 |
| | | | | | | | | | |
| 2010/11 | £1,261.91 | £42,823.49 | £14,172.53 | £14,579.41 | £350.04 | | £73,187.38 | £6,015.08 | £79,202.46 |
| | | | | | | | | | |
| 2011/12 | £18,907.92 | £35,021.79 | £12,802.50 | £12,424.50 | £1,447.27 | | £80,603.98 | £8,928.63 | £89,532.61 |
| | | | | | | | | | |
| 2012/13 | £23,489.84 | £40,224.72 | £22,823.87 | £26,874.92 | £294.59 | | £113,707.94 | £14,494.71 | £128,202.65 |
| | | | | | | | | | |
| 2013/14 | £2,034.35 | £4,066.02 | £7,874.81 | £20,552.47 | £789.38 | | £35,317.03 | £2,697.02 | £38,014.05 |
| | | | | | | | | | |
| TOTAL | £46,091.28 | £137,819.96 | £66,658.29 | £83,081.31 | £18,287.30 | £26,361.65 | £378,299.79 | £32,135.44 | £410,435.23 |

The Council has been able to claim back all of the £32,135.44 in VAT due to the VAT Bad debt relief.

Sales Ledger Debt may become prescribed once it is over 5 years old

Council Tax Written-Off During Financial Year 2013/14 - Summary of Write-Off Reasons

| Financial Year | Statutory Additions | Deceased - No Estate | No Trace | Sequestration etc. | Small Balances | Uneconomical to Pursue/Collect | Total |
|----------------|---------------------|----------------------|-------------|--------------------|----------------|--------------------------------|-------------|
| 1993 | £348.56 | £200.21 | £1,499.45 | £1,289.76 | -£0.05 | £194.97 | £3,532.90 |
| 1994 | £691.86 | £633.57 | £2,364.90 | £1,754.89 | -£0.01 | -£53.11 | £5,392.10 |
| 1995 | £797.36 | £607.98 | £2,409.30 | £2,210.49 | -£0.78 | £0.00 | £6,024.35 |
| 1996 | £1,036.90 | £3,301.63 | £2,209.94 | £3,498.78 | £0.00 | £0.00 | £10,047.25 |
| 1997 | £1,080.32 | £2,356.08 | £4,128.99 | £3,331.27 | £0.39 | £0.00 | £10,897.05 |
| 1998 | £1,347.80 | £2,738.89 | £6,011.13 | £3,865.26 | -£0.09 | £68.00 | £14,030.99 |
| 1999 | £1,708.67 | £3,001.89 | £9,737.09 | £2,756.14 | £0.70 | £0.00 | £17,204.49 |
| 2000 | £2,093.40 | £2,961.28 | £7,184.07 | £5,603.81 | £7.76 | £0.00 | £17,850.32 |
| 2001 | £3,253.26 | £4,427.60 | £11,401.43 | £8,243.19 | £2.78 | £0.00 | £27,328.26 |
| 2002 | £3,203.54 | £4,155.62 | £14,571.33 | £7,059.58 | £8.10 | £0.00 | £28,998.17 |
| 2003 | £3,813.84 | £3,654.78 | £10,151.96 | £11,071.41 | £3.00 | £62.47 | £28,757.46 |
| 2004 | £4,652.34 | £3,166.06 | £14,281.77 | £13,181.32 | £0.58 | £256.30 | £35,538.37 |
| 2005 | £4,424.88 | £4,755.34 | £12,778.72 | £14,640.09 | £0.42 | £858.50 | £37,457.95 |
| 2006 | £4,206.98 | £2,139.22 | £11,015.03 | £13,928.18 | £0.77 | £1,038.39 | £32,328.57 |
| 2007 | £5,290.42 | £2,881.48 | £13,005.76 | £21,991.78 | £69.42 | £513.72 | £43,752.58 |
| 2008 | £7,562.64 | £2,228.69 | £23,444.32 | £24,050.96 | -£0.01 | £617.90 | £57,904.50 |
| 2009 | £7,230.81 | £1,997.27 | £20,037.93 | £25,666.20 | £4.17 | £846.19 | £55,782.57 |
| 2010 | £7,488.56 | £4,342.93 | £14,584.62 | £34,594.38 | £0.84 | £1,418.13 | £62,429.46 |
| 2011 | £10,212.90 | £3,965.31 | £19,414.63 | £53,661.41 | £0.75 | £2,245.13 | £89,500.13 |
| 2012 | £10,501.54 | £7,536.60 | £15,523.59 | £47,340.46 | -£52.40 | £3.06 | £80,852.85 |
| 2013 | £5,477.78 | £1,688.49 | £2,474.39 | £36,347.70 | £15.40 | £0.00 | £46,003.76 |
| Totals | £86,424.36 | £62,740.92 | £218,230.35 | £336,087.06 | £61.74 | £8,069.65 | £711,614.08 |

Non-Domestic Rates Written-Off During Financial Year 2013/14 - Summary of Write-Off Reasons

| 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 | -£0.60 | £0.00 | -£0.60 |
| 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 | £0.00 | £0.00 | £0.00 | £0.00 |
| 1999 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 |
| 2000 | £36.08 | £0.00 | £360.78 | £0.00 | £0.00 | £0.00 | £0.01 | £0.00 | £396.87 |
| 2001 | £297.75 | £521.02 | £2,407.49 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £3,226.26 |
| 2002 | £283.09 | £0.00 | £1,495.60 | £0.00 | £1,304.46 | £0.00 | £0.00 | £0.00 | £3,083.15 |
| 2003 | £2,436.37 | £0.00 | £7,247.79 | £0.00 | £11,874.37 | £0.00 | £0.00 | £0.00 | £21,558.53 |
| 2004 | £1,130.92 | £0.00 | £2,121.83 | £15.54 | £8,125.20 | £0.00 | £0.00 | £0.00 | £11,393.49 |
| 2005 | £529.31 | £0.00 | £2,507.94 | £2,785.20 | £0.00 | £0.00 | £0.02 | £0.00 | £5,822.47 |
| 2006 | £1,349.05 | £0.00 | £4,649.00 | £0.00 | £6,646.37 | £0.00 | -£0.35 | £0.00 | £12,644.07 |
| 2007 | £1,766.54 | £0.00 | £4,153.38 | £6,998.68 | £6,505.57 | £0.00 | £9.40 | £18.28 | £19,451.85 |
| 2008 | £2,768.67 | £0.00 | £1,777.32 | £10,006.43 | £2,746.13 | £0.00 | £0.00 | £0.00 | £17,298.55 |
| 2009 | £3,464.68 | £0.00 | £10,236.47 | £18,642.43 | £4,539.60 | £4,726.71 | £0.00 | £0.00 | £41,609.89 |
| 2010 | £5,676.06 | £0.00 | £6,511.01 | £22,350.56 | £8,202.52 | £13,789.22 | £6.99 | £0.00 | £56,536.36 |
| 2011 | £6,350.11 | £0.00 | £3,093.50 | £41,011.15 | £14,307.53 | £29,358.45 | £0.00 | £0.00 | £94,120.74 |
| 2012 | £21,238.75 | £0.00 | £5,526.50 | £92,973.91 | £96,772.34 | £4,365.00 | £1.76 | £0.00 | £220,878.26 |
| 2013 | £2,314.53 | £0.00 | £298.65 | £48,020.68 | £22,446.20 | £0.00 | £0.97 | £0.00 | £73,081.03 |
| Totals | £49,641.91 | £521.02 | £52,387.26 | £242,804.58 | £183,470.29 | £52,239.38 | £18.20 | £18.28 | £581,100.92 |

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Appendix 4

| <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> |
|----------------------|----------------------|-------------------|------------------------------------|--------------------------------|------------------------|-----------------------|
| prior to 2007 | -£78.91 | £1,158.25 | £0.92 | -£181.81 | £228.59 | £1,127.04 |
| 2007/08 | £0.00 | £4,144.80 | £56.79 | £0.00 | £921.42 | £5,123.01 |
| 2008/09 | £305.16 | £13,653.22 | £197.70 | £0.00 | £13,453.94 | £27,610.02 |
| 2009/10 | £173.17 | £4,156.60 | £862.81 | £218.47 | £0.00 | £5,411.05 |
| 2010/11 | £242.71 | £1,821.33 | £699.72 | -£33.29 | £0.00 | £2,730.47 |
| 2011/12 | £0.00 | £8,193.25 | £1,386.17 | £220.56 | £0.00 | £9,799.98 |
| 2012/13 | £72.38 | £2,490.65 | £941.84 | £3,210.87 | £0.00 | £6,715.74 |
| 2013/14 | -£7.87 | £3,927.64 | £603.84 | £14,879.77 | £0.00 | £19,403.38 |
| TOTAL | £706.64 | £39,545.74 | £4,749.79 | £18,314.57 | £14,603.95 | £77,920.69 |

| <u>YEAR</u> | <u>GONE AWAY</u> | <u>UNECONOMICAL TO COLLECT</u> | <u>OVER 5 YEARS</u> | <u>TOTAL DEBT</u> |
|-------------|----------------------|------------------------------------|---------------------|-----------------------|
|-------------|----------------------|------------------------------------|---------------------|-----------------------|

| | | | | | | |
|---------------|--------------------|------------------|------------------|--------------------|--|--|
| prior to 2007 | | | | £0.00 | | |
| | | | | | | |
| 2007/08 | | | £1,738.06 | £1,738.06 | | |
| | | | | | | |
| 2008/09 | £3,655.20 | £74.90 | £2,643.92 | £6,374.02 | | |
| | | | | | | |
| 2009/10 | £740.27 | £421.30 | £310.65 | £1,472.22 | | |
| | | | | | | |
| 2010/11 | £74,729.12 | £1,546.90 | | £76,276.02 | | |
| | | | | | | |
| 2011/12 | £43,915.82 | £1,375.21 | | £45,291.03 | | |
| | | | | | | |
| 2012/13 | £48,714.73 | £4,908.95 | | £53,623.68 | | |
| | | | | | | |
| 2013/14 | £7,595.06 | £0.00 | £0.00 | £7,595.06 | | |
| | | | | | | |
| TOTAL | £179,350.20 | £8,327.26 | £4,692.63 | £192,370.09 | | |

