

PERTH & KINROSS COUNCIL

Strategic Policy & Resources Committee

2 June 2021

AUTHORITY TO WRITE OFF DEBTS AND OBSOLETE STOCK

**Report by the Head of Finance
(Report No. 21/82)**

PURPOSE OF REPORT

This report seeks approval to write off identified debts in respect of Sales Ledger; Council Tax (including Water & Wastewater 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 other miscellaneous balances.

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 2021, it is necessary to consider the write off on debts and obsolete stock and other miscellaneous balances.
- 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 category of debt to collect the amounts outstanding. The amounts that remain due, after exhaustive recovery procedures having 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.
- 1.4 This report includes all the recommended write off and on amounts for financial year 2020/21.
- 1.5 The proposed write off of debt included within this report generally relates to local taxes; housing rents or other income prior to 2020/21, as more recent outstanding debt is still subject to recovery action. During the extraordinary circumstances presented by the Covid pandemic in 2020/21 the Council has, however, sought to strengthen customer engagement throughout the debt recovery process. For individuals and families, this has included 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 with weekly updates published in the online business bulletin.

- 1.6 Whilst the collection of income continued throughout the pandemic, in common with most local authorities both internal & Sheriff Officer debt recovery processes were suspended in April 2020. Internal debt recovery recommenced across all debt groups on a phased and scaled back basis from late July 2020. Recovery by Sheriff Officers was then reintroduced, again on a phased basis depending upon debt type, from August 2020 for Sales Ledger and from March 2021 for Council Tax. There is, however, an expectation that the level of outstanding debt recommended for write off may increase over the next few years as the full economic impact of the pandemic becomes apparent.

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.
- 2.1.2 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.
- 2.1.3 After consultation with the Services who raised the original invoices, it is recommended that the Council write off £248,256.76 as shown in Appendix 1. This amount includes debt relating to nine financial years from 2012/13 through to 2020/21. A Service by Service comparison has been shown below between the current and the previous financial year.

Write off By Service	Total 2020/21	Total 2019/20
Corporate & Democratic Services	25.00	0.00
Education & Children's Services	79,477.41	20,708.58
Health & Social Care	89,567.44	74,795.33
Communities	79,186.91	105,158.07
	248,256.76	200,661.98

- 2.1.4 The total provision included within the Council's accounts for bad and doubtful Sales Ledger debt at 31 March 2020 was £1,022,462. The total value of Sales Ledger invoices raised in financial year 2020/21 totalled approximately

£22.5 million and the proposed write off for all years represents approximately 1.1% of this amount.

- 2.1.5 In most instances, accounts raised prior to 30 September 2019 carry a 50% provision whilst those raised prior to 31 March 2019 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.
- 2.1.6 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 2020/21.

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. Approximately 75% of Council Tax customers currently pay by Direct Debit.
- 2.2.2 Appendix 2 details Council Tax (including Water and Waste Water Charges) where the sum of £308,841.98 has been deemed uncollectable (£1,911,668.70 in 2019/20). There is an overall provision for bad and doubtful Council Tax debt of £13,259,807.18 as at 31 March 2020.
- 2.2.3 The total amount of Council Tax billed for financial year 2020/21 was £115 million (including Water and Waste Water Charges), with an in-year collection rate of 96.59% (97.06% in 2019/20).
- 2.2.4 The proposed write offs relate to the last 28 financial years during which time the Council has raised over £1.98 billion in Council Tax and has continually delivered high collection levels.
- 2.2.5 Appendix 3 details Non-Domestic Rates income totalling £96,256.26 which it has not proved possible to collect for the reasons shown in the appendix (£512,460.96 was written off in 2019/20).
- 2.2.6 It is recommended that the Council write off £96,256.26 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 £539,112.62 at 31 March 2020.
- 2.2.7 The amount recommended to be written off for all years represents approximately 0.3% of the £30.9 million of Non-Domestic Rates income raised in financial year 2020/21. The in-year collection rate for Non-Domestic Rates was 95.83% for 2020/21 (97.5% in 2019/20).

- 2.2.8 These proposed write offs relate to the last 26 financial years during which time the Council has raised over £1.1 billion 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 (Rents)

- 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 Communities which has identified a requirement to write off £257,334.60 (including £20,204.05 of sequestrations) of outstanding housing rent (£335,771.13 was written off in 2019/20). The provision for bad and doubtful Housing Revenue Account debt was £1,365,498 as at 31 March 2020. The in-year collection rate for Housing Rents was 96.91% for 2020/21 (98.38% in 2019/20). The total rental charges raised between the 1 March 2020 and 28 February 2021 were approximately £27.6 million, with the proposed write off representing 0.86%.
- 2.3.3 Authority is also requested to write off outstanding arrears on garage sites and lock ups of £2,202.94 (£1,114.28 was written off in 2019/20).
- 2.3.4 The overall proposed write off for the Housing Revenue Account is £259,537.52 (including sequestrations). The total rent charge raised for the period was £28,035,884.54, with the proposed write off representing 0.93%.
- 2.3.5 The write off for sequestrations for the same period amounts to £20,204.05

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 £227,393.59 for the period 1 March 2020 to 28 February 2021 (£180,139.74 was written off in 2019/20) 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 £890,671 as at 31 March 2020.
- 2.4.3 The majority of the write off for temporary accommodation, 87.06% (£197,974.38) 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)”*

- 2.4.4 Authority is also requested to write off Housing Benefit overpayment debt of £36,192.11 for 2020/21 (£130,261 was written off in 2019/20) which it has not proven possible to recover. During 2020/21, the value of overpayments was lower than in previous years. This is attributable to the effect that the pandemic has had on customer circumstances with a reduction in the situations which typically contribute to overpayments arising. There was also a temporary pausing of some recovery processes; both the Council and the Department for Work and Pensions (DWP). The provision for bad and doubtful Housing Benefit overpayment debt was £866,041 as at 31 March 2020. The total value of Housing Benefit overpayments in 2020/21 was approximately £318,000 and the proposed write off value for all years represents 8.79% of this amount. The recovery of Housing Benefit payments, however, remains an ongoing process and £376,000 was recovered in 2020/21 which includes former debt.

2.5 Car Park Trading Account Income

Car Park Trading Account Income

- 2.5.1 Authority is requested to write off £163,154 in respect of Car Park Trading Account Income (£139,584 was written off in 2019/20). This amount equates to all amounts charged and still outstanding in relation to the period prior to October 2019. The provision for bad and doubtful Car Park Trading Account debt was £175,944 as at 31 March 2020. The proposed write off is equivalent to 13.53% of the number of Penalty Charge Notices issued during 2019/20 (9.78% in the previous financial year).

2.6 Stock Write Offs

Friarton Depot

- 2.6.1 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 2019/20). Full provision has been made for this write off.

Joint Equipment Loan Service

- 2.6.2 Authority is requested to write off £1,428.00 (£94,432.80 was write off in 2019/20) in respect of equipment that will no longer be issued due to age, reliability and suitability. Full provision has made for this write off.

2.7 Outstanding Balances

- 2.7.1 Authority is requested to write off outstanding balances over various accounts. These balances relate to transactions before 31 March 2020. The net amount

of the outstanding balances is a write off totalling £4,681.00 (£19,200.39 was written on in 2019/20).

3. CONCLUSION AND RECOMMENDATIONS

3.1 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.

3.2 It is recommended that the Committee:

- i) Approve that all amounts detailed in section 2 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.

Author(s)

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Approved

Name	Designation	Date
Stewart MacKenzie	Head of Finance	14 May 2021

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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 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

4 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.

6. APPENDICES

- Appendix 1 – Sales Ledger debt written off in financial year 2020/21 by year and reason.
- Appendix 2 – Council Tax debt written off in financial year 2020/21 by year and reason.
- Appendix 3 – Non Domestic Rates debt written off in financial year 2020/21 by year and reason.
- Appendix 4 – Irrecoverable Rents written off in financial year 2020/21 by year and reason.
- Appendix 5 – Homeless debt written off in financial year 2020/21 by year and reason.