

# Write Off of Uncollectable Debts

Report of the Finance Portfolio Holder

## Recommended:

**That the debts detailed in the report, totalling £310,975, be written off in the Council's accounts as uncollectable.**

### SUMMARY:

- To seek approval for the write off of business rates debts that have proved to be uncollectable, in accordance with the Council's Financial Regulations.

## 1 Introduction

- 1.1 The Council has processes in place to ensure that income due is identified, collected, receipted and banked promptly. However, there are occasions where money owed to the Council proves to be uncollectable.
- 1.2 The Council's Financial Procedure Rules give the Head of Finance authority, in consultation with the appropriate Chief Officer, to approve the write-off of bad debts or other sums due to the Council up to a limit of £5,000.
- 1.3 Amounts in excess of £5,000 must be authorised by the Finance Portfolio Holder and amounts over £25,000 must be referred to Cabinet for approval.
- 1.4 This report seeks approval for the write off of certain business rates debts above the £25,000 threshold that have proved to be uncollectable and for which there is little or no prospect of future recovery.

## 2 Debts recommended to be written off

- 2.1 Debts related to seven business rates accounts are recommended to be written off as uncollectable.
- 2.2 The Council has no power to continue to seek recovery of outstanding amounts owed when a company enters administration or goes into liquidation. However, the company may continue to occupy a premises and continue to be liable for business rates.
- 2.3 It is inevitable that it will be necessary to write off certain amounts as uncollectable when businesses go into liquidation and have arrears owed to the Council.

- 2.4 Up to the point that the companies entered liquidation / administration the Council had pursued its normal recovery procedures, including agreeing repayment plans with the businesses and engaging enforcement agents where necessary.
- 2.5 The debts recommended to be written off are summarised in the following table.

Business	Reason for Write-Off	Amount £
SLS Metalworks Ltd	Company in Liquidation	29,526
Arensis Energy Ltd	Company in Administration	58,337
Account 790579	An individual in Bankruptcy	26,282
Warren-Morrison Valves Ltd	Company in Administration	33,842
Account 791712	Failed to bill in accordance with Regulations	36,026
Brantano Retail Ltd	Company Dissolved	59,547
QA Logistics Ltd	Company Dissolved	67,415
<b>Total</b>		<b>310,975</b>

- 2.6 Due to Data Protection Regulations, the individual whose debt is recommended for write-off is not named in this report.
- 2.7 In one case, the Council failed to bill in accordance with Regulations. Professional advice was sought following identification of this error that confirms there is little chance of any recovery if the amount owed is pursued through the Courts. The company has not been named in the report because it continues to trade and the non-collectability was not the fault of the business concerned.

### **3 Options**

- 3.1 The debts recommended to be written off relate to businesses that are in liquidation or bankruptcy / have been dissolved at Companies House or where the Council has no realistic prospect of being able to recovery amounts outstanding.
- 3.2 The Council has registered its position as a creditor of the companies in liquidation / administration but there is no realistic prospect of any distribution to creditors.
- 3.3 There are no alternative options available to continue recovery action for these debts.

## 4 Risk Management

- 4.1 An evaluation of the risks indicates that the existing controls in place mean that no significant risks have been identified at this time.
- 4.2 The circumstances that led to the failure to bill in accordance with Regulations have been investigated. This has identified the error as an isolated incident and changes have been made to internal systems to ensure that a similar error does not occur in the future.

## 5 Resource Implications

- 5.1 Each year, as part of the preparation of the Collection Fund (the statutory account through which Council Tax and Business Rates are administered) the Council makes an allowance for uncollectable debts. The allowance reflects that it is not possible to collect 100% of bills raised due, for example, to company failure.
- 5.2 The impact of writing off business rates debts is shared between the Council, central government, Hampshire County Council and Hampshire Fire and Rescue.
- 5.3 The bad debt allowance calculation is based on a number of factors, including the age of the debt and the recovery stage to which the debt has been progressed. The bad debt allowance at 31 March 2018 included £60,200 in respect of these debts, of which the Council's share was £24,080.
- 5.4 The remaining value of the debts has been included in full in the bad debt allowance as at 31 March 2019.
- 5.5 The impact on the Council's budgets is shown in the table below.

	£
Total value of debts to be written off	310,975
Other bodies' share of total debt (60%)	(186,585)
<b>Council share of bad debt (40%)</b>	<b>124,390</b>
Less: Amounts already provided in previous years' accounts	(24,080)
Reduced levy on business rates growth in 2018/19	(50,155)
<b>Net reduction in business rates growth in 2018/19</b>	<b>50,155</b>

- 5.6 The net cost of the bad debts recommended for write-off can be contained within the bad debt allowance for 2018/19, so there is no additional budget pressure arising as a result of the recommendations in this report.

5.7 To put the above figures into context, the total estimated business rates payable in 2018/19 was £56.35M. After allowing for amounts already taken into account in previous years, the amount recommended to be written off is 0.4% of the total estimated income.

## 6 Equality Issues

6.1 This report does not identify any issues related to equality.

## 7 Conclusion and reasons for recommendation

7.1 The report identifies seven debts for which there is no reasonable prospect of recovery. It is recommended that they are written off in the Council's accounts.

<u>Background Papers (Local Government Act 1972 Section 100D)</u> None			
<u>Confidentiality</u> It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	0	File Ref:	N/A
(Portfolio: Finance) Councillor Giddings			
Officer:	Carl Whatley	Ext:	8540
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