

Write Off of Uncollectable Debts

Report of the Finance and Resources Portfolio Holder

Recommended:

That the debts detailed in the report, totalling £178,384, be written off in the Council's accounts as uncollectable.

SUMMARY:

- In accordance with the Council's Financial Regulations, the report seeks approval for the write-off of three business rates debts that have proved to be uncollectable.

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 & Revenues 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 & Resources 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 three 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 Background

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

- 2.4 The Council had pursued its normal billing and recovery procedures in respect of each of these debts up to the point that the debts became irrecoverable. This includes the engagement of enforcement agents and location search tools to attempt recovery from the debtors.
- 2.5 The debts recommended to be written off are summarised in the following table.

Business	Debt	Reason for Write-Off	Amount £
SLS Metalworks Ltd	Business Rates	Company dissolved	33,082
CW (No.1) Ltd	Business Rates	Company in liquidation	79,251
An individual	Business Rates	Debtor moved overseas	66,051
Total			178,384

3 Options

- 3.1 All options to recover the above debts have been exhausted and this report therefore recommends that the only remaining option is to write-off the amounts as irrecoverable.
- 3.2 Two of the debts recommended to be written off relate to businesses that are in liquidation or have already been dissolved. Proof of debt was submitted for both of these, however 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.
- 3.4 The final debt relates to an individual who owes business rates from the years 2015-2017. Traces have been undertaken to establish the location of the individual throughout the intervening period. Our evidence suggests this person moved overseas in 2017. The account has been held pending a potential return to the UK; however, it is now recommended the debt is written-off as uncollectable.

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.

5 Resource Implications

- 5.1 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 bad debt allowance calculation is based on a number of factors, including the age of debts and the recovery stage to which they have been progressed. The bad debt allowance at 31 March 2022 included £114,805 in respect of these debts, of which the Council's share was £22,961.
- 5.3 The impact of writing off business rates debts is shared between the Council, central government, Hampshire County Council and Hampshire Fire and Rescue. The impact on the Council's budgets is shown in the table below.

	£
Total value of business rates debts to be written off	178,384
Other bodies' share of total debt (60%)	(107,030)
Reduced levy on business rates growth	(35,677)
Council share of bad debt	35,677
Less: Amounts already provided in previous years' accounts	(22,961)
Net cost to the Council in 2022/23	12,716

- 5.4 The net cost of the debt recommended for write-off can be contained within the bad debt allowance for the current year.

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 three debts for which there is no reasonable prospect of recovery. It is recommended that they are written-off in the Council's accounts.

Background Papers (Local Government Act 1972 Section 100D)

None

Confidentiality

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:	None	File Ref:	N/A
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(Portfolio: Finance and Resources) Councillor M Flood

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Report to:	Cabinet	Date:	12 April 2023
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