

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

**Cabinet
18 March 2020**

Report Title: Irrecoverable Items

Submitted by: Executive Director of Resources and Support Services

Portfolios: Finance and Efficiency

Ward(s) affected: All

Purpose of the Report

To consider write off of debtors accounts deemed irrecoverable.

Recommendation

That the items detailed at Appendix A be considered irrecoverable for the reasons stated and written off.

Reasons

For a variety of reasons, from time to time, it is considered that certain sums owing to the Council are not capable of being collected. When this occurs, it is necessary to write off these balances from the appropriate Council account records.

1. **Background**

1.1 For a variety of reasons, it is sometimes considered that sums owing to the Council for which debtors accounts have been issued, are no longer capable of being collected. This could be due to the debtor being subject to insolvency proceedings or other legal processes associated with their debt, or even the death of the debtor. Where there is no further redress or practical means of enforcing the debt available to the Council it is necessary to write off the outstanding balances from the Council's accounts.

2. **Issues**

2.1 Collection procedures in respect of business rates and council tax are operated in accordance with legislative guidelines. Other debts are collected by a variety of schemes, suitable to the type of account involved. Items are only ever considered for write-off following robust adherence to the appropriate collection policy.

2.2 Irrecoverable amounts are considered to be of a confidential nature and in order to comply with data protection regulations the details of the irrecoverable items that are the subject of this report are set out in the confidential appendix. It would also obviously be inappropriate to disclose information for instance about deceased debtors, with the potential for causing further distress to bereaved family members.

2.3 Where debts are in respect of commercial organisations, there is the potential in cases such as administration that disclosure could jeopardise the potential recovery of the business in the long term.

3. **Proposal**

3.1 That the items listed at appendix be considered irrecoverable for the reasons stated and these balances be written off.

4. **Reasons for Proposed Solution**

4.1 The debts itemised in the confidential appendix are no longer considerable recoverable. Accounting regulations require that such items be periodically reviewed and written off.

5. **Options Considered**

5.1 None.

6. **Legal and Statutory Implications**

6.1 Ultimately, sums of money owed to the Council can only be recovered through court proceedings. That requires bringing an action to prove the debt, so as to secure a judgement that the sum is owed. There are costs (court & legal fees and officer time) associated with that process which usually increase in tiers depending on the amount claimed.

6.2 Once judgement is secured, further court proceedings (incurring further associated costs) will be required if the sum secured in the judgement is not paid by the debtor. There are various enforcement methodologies that may be ordered in successful enforcement proceedings, all of which will incur additional costs to execute. However, none of those methods will bear fruit unless the debtor can be traced and owns assets that can be easily liquidated for a sum in excess of the amount of the judgement debt and the associated costs.

6.3 Thus a primary consideration is one of proportionality in terms of an evaluation of the level of debt against the likely cost of recovery, and the likelihood of identifying a traceable debtor who owns assets of the requisite value and liquidity. That analysis has been undertaken in respect of the debts proposed to be written off here.

6.4 It is essential that the council has in place systems that enable it to spot and log any trends in the way in which bad debts are arising, and which identify repeat bad debtors, so that it can take any prudent steps that may be available to it to avoid further bad debts arising.

7. **Equality Impact Assessment**

7.1 N/A

8. **Financial and Resource Implications**

8.1 The Council makes provision for unrecoverable sums and the amounts recommended for write-off are within the current budgeted bad debt provision.

8.2 The financial implications of Debtors accounts proposed for write off fall on the Council only. There is budget provision for the write off of £30,000 of debtors accounts during the financial year 2019/20, the debtors proposed for write off total £22,540.68.

8.3 The financial impact of National Non Domestic Rates accounts proposed for write off is shared between the Council (40%), Central Government (25%), Staffordshire County Council (34%) and the Staffordshire Fire and Rescue Service (1%) under the 75% Business

Rates Retention scheme pilot for 2019/20. The National Non Domestic Rates accounts proposed for write off total £170,785.87, of this the Council's share amounts to £68,314, this amount forms part of the estimated surplus declared to preceptors on the National Non Domestic Rates collection fund which will be returned to the Council under Collection Fund accounting principles during 2020/21.

8.4 The financial impact of Council Tax accounts proposed for write off is shared between the Council (11.3%), Staffordshire County Council (71.8%), Staffordshire Police and Crime Commissioner (12.5%) and the Staffordshire Fire and Rescue Service (4.4%) in line with each preceptor's element of Council Tax charged. The Council Tax accounts proposed for write off total £27,272.24, of this the Council's share amounts to £3,082, this amount forms part of the estimated deficit declared to preceptors on the Council Tax collection fund which will be payable by the Council under Collection Fund accounting principles during 2020/21.

9. **Major Risks**

9.1 Failure to write off irrecoverable debts in a timely manner could potentially lead to the Council overstating its income, leading to qualification of its annual accounts and associated reputational damage.

10. **Sustainability and Climate Change Implications**

10.1 None

11. **Key Decision Information**

11.1 This is not a key decision.

12. **Earlier Cabinet/Committee Resolutions**

12.1 N/A

13. **List of Appendices**

13.1 Appendix A - Irrecoverable items 2019-20.

14. **Background Papers**

14.1 None