

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**EXECUTIVE MANAGEMENT TEAM'S  
REPORT TO**

**Cabinet**  
**17 March 2020**

**Report Title:** Irrecoverable Items 2020/21

**Submitted by:** Head of Finance (Section 151 Officer)

**Portfolios:** Finance and Resources

**Ward(s) affected:** All

**Purpose of the Report**

To consider items deemed irrecoverable.

**Recommendation**

**That the items detailed at appendix be considered irrecoverable for the reasons stated and be written off.**

**Reasons**

For a variety of reasons, from time to time, it is considered that certain items are unable to be recovered from debtors. 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, following the issue of accounts for amounts due to the Council, it is considered the debt is no longer able to be collected. Normally, these reasons follow from the debtor having been subjected to insolvency proceedings or other legal processes in respect of their debts or even the death of a debtor. There is then no further redress to recover the outstanding amounts and it is necessary to write off the outstanding balances from the Council's records.

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. The debtors proposed for write off during the financial year 2020/21 is £156,742. There is budget provision of £30,000 for the write off of debtors accounts, however it is also proposed to utilise reserves from the Equipment Replacement Fund (ERF) of £126,742 in order to clear the outstanding debtors as some of them are of a considerable age and although extensive

recovery procedures have taken place they are still outstanding and now require to be written off.

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 £295,568 of this the Council's share amounts to £118,227, this amount forms part of the estimated deficit declared to preceptors on the National Non Domestic Rates Collection Fund which will be returned to the Council under Collection Fund accounting principles during 2021/22.

8.4 In addition to the above National Non Domestic Rates proposed for write off, New Look Distribution Centre have entered into a Company Voluntary Arrangement (CVA) in order to secure their business future due to Covid-19 and only 20% of their sales being online. As a result of this there is an uncollectable debt amounting to £1,699,840 in respect of the National Non Domestic Rates. As referenced above under the Business Rates Retention Scheme, 40% of this amount is attributable to the Council (£679,936). For 2020/21 Central Government have committed to compensating Local Government with 75% losses in Business Rates, as such £509,952 of the Council's share would form part of this compensation with the remaining £169,984 being attributable to the Council's share of the Collection Fund. As the forecast deficit on the Collection Fund for 2020/21 has been declared to preceptors in January and their repayments of this budgeted for in 2021/22, the £169,984 would not be repayable by the Council to the Collection Fund until 2022/23 under Collection Fund accounting guidance.

8.5 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 £42,167 Of this the Council's share amounts to £4,765 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 2021/22.

## 9. **Major Risks**

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

## 10. **UN Sustainable Development Goals (UNSDG)**

10.1 As the report relates to financial adjustments to the Council's accounts, there are no UNSDG implications.

## 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 2020-21 (Part 2)

14. **Background Papers**

14.1 None