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## **WRITE-OFF OF DEBTS**

To: **Cabinet – 1 May 2014**

Main Portfolio Area: **Finance**

By: **Mandie Kerry, Income Manager EK Services**

Classification: **Unrestricted**

Ward: **All Council Area**

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**Summary:** **To report the amount and level of Business Rates that remain unrecovered and to request authorisation for write off as per the Income Policy for EK Services and the Council's Financial Procedure Rules.**

### **For Decision**

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#### **1.0 Introduction and Background**

- 1.1 Business Rates are charged to all non domestic properties. The charge is set by the Valuation Office. The charge broadly represents the yearly rent the property could have been let for on the open market on a particular date. For the revaluation that came into effect on 1st April 2010, this date was set as 1st April 2008.
- 1.2 EK Services administer the billing and recovery action for the collection of the Business Rates for Thanet District Council. Billing and recovery for Business Rates are actioned under the Local Government Finance Act 1998. Thanet Council has 4000 Business Rate accounts.
- 1.3 All accounts are billed at the beginning of the financial year. Follow up recovery action is taken if the bill is unpaid. This includes a reminder and a final reminder. If still unpaid, a summons is then issued for the authorisation of the Magistrates Court to take further action with the issue of the Liability order, which then allows Thanet District Council to either make a referral to a bailiff company, issue charging orders, or instigate Insolvency and Bankruptcy.
- 1.4 Recovery action is governed by legislation and robustly applied to ensure that all accounts are paid, however, there are some accounts that remain unpaid and are deemed unrecoverable due to certain actions that are beyond the control of the recovery team.

#### **2.0 The Current Situation**

- 2.1 EK Services recently recruited a Special Debt Officer to the Business Rate Team. This officer has complete responsibility for the recovery of the higher level debts that remain unpaid. Following his initial investigation, there are 7 accounts that have liabilities ranging from years 2005 to 2013 that remain unpaid. All these accounts now have become unrecoverable due to the circumstances of the companies; there is no further action that can be taken to pursue the debts. Of these companies 3 have been

dissolved, 1 wound up by HMRC, 1 remitted by Court, and 2 where is no trace to any Directors.

2.2 The current amount outstanding on the 7 accounts total £264,386.30. Attached to this report are individual reports detailing the actions taken and the details of the accounts which have outstanding amounts.

### 3.0 Options

3.1 EK Services would ask for agreement to write off these debts. EK Services recognises that it is important to consider the balance between recovering arrears as effectively and efficiently as possible with the need to be fair and reasonable. EK Services have ensured that all reasonable steps to recover arrears have been taken and that no further recovery action is practicable. This will remove the outstanding liability from the system. There is no possible chance of any receipt of the outstanding debt on these companies. Thanet Council have currently accounted for bad debt provision which will partly account for these debts over the financial years.

#### For information the EKS Income Policy states the following:

<b>Non recoverable arrears</b>	<ul style="list-style-type: none"> <li>• Customer/Company is insolvent i.e. Bankruptcy, Liquidation and Administrative Receivership cases.</li> <li>• A Debt Relief Order is in existence – in which case EKS will have regard to the legal status of that Order.</li> <li>• Customer has served a custodial sentence in respect of Council Tax or Business Rate arrears</li> <li>• Customer deceased and there is no funds in the Estate</li> <li>• For Council Tax and Business Rates, where all or part has been remitted by the Magistrates Courts</li> <li>• For Housing Benefit Overpayments, where the overpayment has arisen as a result of an official error and the customer could not reasonably have been expected to realise the overpayment was occurring.</li> <li>• Arrears that cannot be legally enforced</li> </ul>
<b>Uneconomical to pursue</b>	<ul style="list-style-type: none"> <li>• Council Tax and Business Rates – Balances below £5.00*</li> <li>• Housing Benefit Overpayments – Balances below £50.00*</li> <li>• Sundry Debts - Balances below £50.00*</li> </ul> <p>*Where no payment has been received within 6 months of sending the final demand for payment</p>
<b>Unable to trace</b>	<ul style="list-style-type: none"> <li>• Customer has absconded</li> <li>• Debt collection agency failed to trace</li> <li>• Bailiff failed to trace</li> </ul>

All the accounts that EKS are requesting authorisation for are categorised as above.

3.2 If the Cabinet choose not to agree the write off of the debts, there will be no further recovery action available to take. The debt will remain on the accounts and be accounted for each year as an uncollected debt and be recorded as bad debt.

### 4.0 Next Steps

4.1 If the Cabinet approve the write offs for these accounts, the Revenues and Benefits system CIVICA will be updated to show the debts as being written off. The Finance team will have the information to reconcile their accounts as well. Reports will be produced for the purpose of any Audit trail and Audit purposes. No written

confirmation will be provided to the companies to confirm the debt has been written off the system. This will ensure that if any outstanding monies are made available to the Council through Insolvency practices, it can be allocated to the account. This will usually be a very small % paid in every pound, (usually pence). In the cases of the untraceable, if a person or company return the area, then we will restart the recovery process.

## **5.0 Corporate Implications**

### **5.1 Financial and VAT**

All write offs for billed accounts will impact on the Collection Fund and could potentially impact on the General Fund if the Collection Fund goes into deficit. Any costs that are written off will impact on the General Fund. The direct impact on the Collection Fund of these write-offs is £264,386.20 and General Fund £155.00.

### **5.2 Legal**

Recovery action is governed by legislation.

### **5.3 Corporate**

The Council must protect its finances by trying to recover all outstanding debts.

### **5.4 Equity and Equalities**

5.4.1 EK Services is committed to equality and fairness. Equality is about ensuring people are treated fairly and given fair chances. It is also about ensuring that people receive fair outcomes in the standard of service they receive from EK Services. This incorporates everyone, regardless of their race, gender, age, religion or belief, sexual orientation and/or disability.

## **6.0 Recommendation(s)**

6.1 Cabinet agree to write off the identified debt.

## **7.0 Decision Making Process**

7.1 Agreement sort, no impact on other services or cost implications. This is an executive decision that is subject to call-in.

Contact Officer:	Mandie Kerry Income Manager EK Services
Reporting to:	Sarah Martin, Financial Services Manager

## **Annex List**

Annex 1	Avman Ltd in Liquidation Write Off Report
Annex 2	Blackknights Write Off Report
Annex 3	Botswana International Airlines Pty Ltd Write Off Report
Annex 4	Glynn's Amusements Ltd Write Off Report
Annex 5	GIG 4 Ltd Write Off Report
Annex 6	Mr X Write Off Report
Annex 7	Mr Y Write Off Report

**Background Papers**

Title	Details of where to access copy
None	N/A

**Corporate Consultation Undertaken**

Finance	N/A
Legal	