

TITLE:	WRITE OFF OF IRRECOVERABLE DEBTS
TO/ON:	CABINET 29th MARCH 2006
BY:	HEAD OF FINANCIAL SERVICES AND HEAD OF CUSTOMER SERVICES AND E-GOVERNMENT
PORTFOLIO HOLDER:	CABINET MEMBER FOR FINANCE AND RISK MANAGEMENT AND CABINET MEMBER FOR CUSTOMER SERVICES
STATUS:	FOR PUBLICATION

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to request authority to write off bad debts which are individually above the delegated limit of £2,000.

2. RECOMMENDATIONS

- 2.1 The Council is recommended to:-
- 2.2 Approve the write off of the non-delegated General Fund bad debts amounting to £60,502.73.
- 2.3 Approve the write off of the non-delegated Housing miscellaneous bad debts amounting to £11,484.01.
- 2.4 Approve the write off of £68, 256.75. in relation to National Non Domestic Rates representing 0.6% of the debt.
- 2.5 Approve the write off of £92,678.21 in relation to court costs owed by former tenants.

3. REPORT AND REASONS FOR RECOMMENDATIONS AND TIMETABLE FOR IMPLEMENTATION

Before the accounts for the year are closed down it is prudent practice to clear any debts from the ledgers which are now deemed to be irrecoverable. This year the exercise has been rather more aggressive than usual to ensure that data transferred to the new financial system is as current as possible.

Schedules of the debts to be written off have been separately provided to members of the Cabinet and can be made available to other members on request in order to ensure the report can be considered in public

3.1 General Fund Debts

- 3.1.1 The balance on the Bad Debts Provision account brought forward in April 2005 was £169,564.91. During the year 2005/06 we have made an annual provision into the account of £20,000 and written off a total of £31,156.06 relating to bad debts which were individually below the delegation threshold of £2,000.
- 3.1.2 The items included at Appendix 1 amount to £60,502.73 of which £1,660.87 is VAT. This leaves £58,841.86 to be funded from the Bad Debts Provision above.
- 3.1.3 Writing off these debts would leave an anticipated balance on the general fund Bad Debts Provision of £99,566.99 at the end of March. The remaining value of debts outstanding to be transferred to the new finance system will be around £397,000. Further review of the adequacy of the provision will be undertaken in closing the accounts.

3.2 Housing Miscellaneous Debts

- 3.2.1 The balance on the Housing Miscellaneous Bad Debts Provision account brought forward in April 2005 was £49,599.13. During the year 2005/06 we have written off a total of £35,618.19 relating to bad debts which were individually below the delegation threshold of £2,000.
- 3.2.2 The items included at Appendix 1 amount to £11,484.01 to be funded from the Bad Debts Provision above.
- 3.2.2 Writing off these debts would leave an anticipated balance on the Housing Miscellaneous Bad Debts Provision of £2,496.93 at the end of March. The remaining value of debts outstanding to be either transferred to the new finance system, or transferred to Greenvale Homes, will be just under £10,000.

3.3 National Non Domestic Rates

- 3.3.1 The sum of £68,256.75 is regarded as irrecoverable due to amongst other things, bankruptcy, liquidation and no forwarding address and is recommended for write off. Although a write off policy is not available at this time accounts with a debt to be removed have been checked thoroughly by contacting other Local Authorities, landlords, solicitors and new occupiers. A creditor's claim has been lodged for all businesses or individuals who have gone into liquidation or have been made bankrupt.
- 3.3.2 This debt can be resurrected should individual circumstances change.

3.4 Former Tenant Court Cost Arrears

- 3.4.1 The sum of £92,678.21 is regarded as irrecoverable and is recommended for write off. The costs have been incurred by tenants who the Council have had

to take action against through the County Court because of rent arrears. The criteria adopted on the assessment of debts considered to be irrecoverable are:

- a) No trace of debtor. Search has been unsuccessful
- b) Former tenant has no assets
- c) Former tenant is deceased
- d) Age of debt – Statute Barred

3.4.2 A record of all debts written off is maintained in the event that there is an opportunity for future collections.

3.4.3 Full provision is maintained against these debts.

3.5 CONCLUSION

3.5.1 The write-offs are within the provisions available and recommendation to write off is made on the grounds of prudence before the financial year-end.

4. CORPORATE IMPROVEMENT PRIORITIES

4.1 FINANCE AND RISK MANAGEMENT

4.1.1 Writing off these debts will leave an overall bad debt provision of 25% on the value of debts outstanding. This is a prudent level to maintain.

4.1.2 As a part of the new financial system we are implementing a specific debt recovery module which should improve the Council's ability and effectiveness in recovering debts before they reach the stage of becoming a bad debt.

4.1.3 The cost of write off for NNDR does not fall on the Council general fund directly but is absorbed by central government through the national pooling arrangement.

4.2 MEMBER DEVELOPMENT AND POLITICAL ARRANGEMENTS

4.2.1 No material issues

4.3 HUMAN RESOURCES

4.3.1 Not applicable.

5. ANY OTHER RELEVANT CORPORATE PRIORITIES

5.1 No material issues.

6. RISK

6.1 No material issues.

7 LEGAL IMPLICATIONS ARISING FROM THE REPORT

- 7.1 Some of the debts being written off pertain directly to properties and have been works done in default of legal notices. In these instances the outstanding debt will remain as a charge on the Land Charges Register (LCR) so that the Council should recover the monies at a later stage if and when the properties change hands.

8 EQUALITIES ISSUES ARISING FROM THE REPORT

- 8.1 No matters arising

9 WARDS AFFECTED

- 9.1 All wards

10 CONSULTATIONS

- 10.1 Legal staff pursuant to which debts they feel are irrecoverable.
- 10.2 Housing accountant in relation to the transfer of balances to Greenvale Homes.
- 10.3 Customer Services Manager (Revenues).

11 BACKGROUND DOCUMENTS

- 11.1 System records of actions pursued to collect each debt.

For further information on the details of this report, please contact:

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