

30 May 2013

**REPORT OF THE PORTFOLIO HOLDER FOR OPERATIONS AND ASSETS****WRITE OFFS****EXEMPT INFORMATION**

None

**PURPOSE**

To provide members with details of write offs from 01 April 2012 to 31 March 2013 and to seek approval to write off irrecoverable debt.

**RECOMMENDATIONS**

That members endorse the amount of debt written off for the previous financial year and approve the write off of irrecoverable debt for Business Rates of £159,395.00 and Sundry Income of £54,038.97 respectively.

**EXECUTIVE SUMMARY**

The Heads of Service are responsible for the regular review of debts and consider the need for write off and authorise where necessary appropriate write offs in line with the Corporate Credit Policy. The first part of this report shows the position for the last financial year. Further updates will continue to be produced on a quarterly basis.

<b>Type</b>	<b>01/04/12-31/03/13</b>
Council Tax	£34,385.68
Business Rates	£538,110.39
Sundry Income	£26,045.94
Housing Benefit Overpayments	£82,887.14

The second part of the report is in respect of debts which are in excess of £10,000.

Under Financial Regulations, debts for write-off greater than £10k require Cabinet authorisation and this report details such accounts. The amounts for Business Rates are attached in Appendix E and Sundry Income Appendix F.

In light of the implementation of Business Rates Retention arrangements with effect from 01 April 2013 and that the pre-April 2013 debts are due and collectable under the agency arrangement with the Government, it would seem appropriate to carry out a robust review for 2012/13 (as part of any of those debts not collected in 2013/14 will fall on the Council). A revised approach to the calculation of Business Rates bad debt has been developed which involves a review of all of the outstanding debts to ascertain whether they are likely to be collectable. This has then been used to determine the balance to apply the usual aged debtor percentage.

With respect to the Sundry Income balance for write off of £54,038.97, provision has been made in full as part of the year end Bad Debt Provision calculation.

## Financial Implications

Business Rates	
Bad Debt provision	778,833.35
Less amount of write offs in this report	159,395.00
Less amount written off to date under delegated powers	0.00
Amount remaining	619,438.35

## RESOURCE IMPLICATIONS

The write offs detailed are subject to approval in line with the Corporate Credit Policy/Financial Regulations amended to reflect the revised calculation outlined above.

## LEGAL/RISK IMPLICATIONS BACKGROUND

Not applicable

## SUSTAINABILITY IMPLICATIONS

Not applicable

## BACKGROUND INFORMATION

This forms part of the Council's Corporate Credit Policy and effective management of debt.

The Council is committed to ensuring that debt write offs are kept to a minimum by taking all reasonable steps to collect monies due. There will be situations where the debt recovery process fails to recover some or all of the debt and will need to be considered for write off in accordance with the schemes of delegation prescribed in the Corporate Credit Policy.

The Council views such cases very much as exceptions. Before writing off debt, the Council will satisfy itself that all reasonable steps have been taken to collect it and that no further recovery action is possible or practicable. It will take into account the age, size and types of debt together with any factors that it feels are relevant to the individual case.

### Debt Write Off

Authorisations are needed to write off debt:

<u>Authority</u>	<u>Account Value</u>
Chief Officer (or authorised delegated officer)	up to £5,000
Executive Director Corporate Services	£5,001 - £10,000
Cabinet	over £10,000

These limits apply to each transaction.

## Bad Debt Provision

The level of the provision must be reviewed jointly by the unit and Accountancy on at least a quarterly basis as part of the management performance review, and the table below gives the mandatory calculation.

Where the debt is less than 6 months old it will be written back to the service unit.

Debt Outstanding	Provision (net of VAT)
Between 6 and 12 months old	50%
Between 12 and 24 months old	75%
Over 24 months old	100%

The financial effects of providing for Bad Debts will be reflected in the Council's accounts at Service Unit level.

### **REPORT AUTHOR**

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### **LIST OF BACKGROUND PAPERS**

Corporate Credit Policy - effective management of debt

### **APPENDICES**

**Appendices A to D** give details of write offs completed for Revenues and Benefits Services for 01 April 2012 to 31March 2013

**Appendix E** gives details of national non domestic rate write offs

**Appendix F** gives details of sundry income write offs

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