

Item No. 21.	Classification: Open	Date: 21 March 2017	Meeting Name: Cabinet
Report title:		Authorisation of Debt Write-off over £50,000 for Chief Executives Department, Commercial Rent	
Ward(s) or groups affected:		All	
Cabinet Member		Councillor Fiona Colley, Finance, Modernisation and Performance	

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE

It is good financial practise to ensure that our accounts accurately reflect the council's financial position and that includes being realistic about the possibility of collecting money owed to the authority. If the fact is that we will not be able to recoup a debt we should write it off as uncollectable rather than inaccurately showing it as money we will eventually receive.

In this case significant rent arrears built up on a commercial property and the tenant was evicted. Following checks with Charity Commission it appears the charity do not have any assets whatsoever and their finances are in the red. Our litigation team have advised not pursue the matter as it is extremely unlikely to recovery any monies and as such I am recommending that we write-off this debt.

RECOMMENDATIONS

1. That approval is given for the write off of £69,316.79 for one debt.
2. That cabinet advise any further action they require on any write-off not agreed within this report.

BACKGROUND INFORMATION

3. Under the council's constitution write-off of debts of £5,000 up to £50,000 has been delegated to individual members within their own service area. Debt write-off under £5,000 can be authorised by chief officers. Write-off of any debt of £50,000 or over must be referred to cabinet for authorisation.
4. There are a number of key reasons why the council may wish to write-off a debt. These are :
 - The debt is uneconomic to collect i.e. the cost of collection, including substantiation, is greater than the value of the debt.

- The debt is time barred, where the statute of limitation applies. Generally this means that if a period of six years has elapsed since the debt was last demanded, the debt cannot be enforced by legal action.
- There has been a negotiated settlement as part of a complaint or dispute resolution which leaves a residual amount to be written off.
- The debtor cannot be found or communicated with despite all reasonable attempts to trace the debtor.
- The debtor is deceased and there is no likely settlement from the estate or next of kin.
- Insolvency where the organisation or person has gone into bankruptcy and there are no assets to claim against and no likelihood of settlement.

KEY ISSUES FOR CONSIDERATION

Policy implications

5. The proposed write-off set out in this report is recommended in accordance with the council's agreed write-off policies and procedures in accordance with the list in paragraph 4 above.

Community impact statement

6. All write-offs are considered with due regard to any potential community impact and on their own merits. This decision has been judged to have no or a very small impact on local people and communities

Resource implications

7. The cost of writing-off the commercial rent debt will be contained within the bad debt provisions held within the HRA.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law & Democracy

8. This report recommends that the debt be written off in accordance with the council's procedure on debt write off.
9. The report has set out circumstances whereby debts can lawfully be written off by the council and these include circumstances when a debtor has gone bankrupt, the debt is time barred, where the debtor is deceased or gone away or where the debt is uneconomic to collect i.e. the cost of collection, including substantiation, is greater than the value of the debt. In such circumstances to pursue the debt would be very difficult and costly exercise with little or no chances of success.

10. The approval of write-offs of any debt over £50,000 must be referred to cabinet for authorisation. This particular debt has arisen as a result of non payment of commercial rent.
11. The director of law and democracy considers this write-off to be in accordance with the council's procedures and lawful.

Strategic Director of Finance and Governance

12. As per paragraph 5 the write-off complies in accordance with the council's agreed policy and procedures.
13. The debt recommended for write-off, is considered either irrecoverable or uneconomical to collect.
14. The recommended write-off of £69,316.79 is contained within the housing revenue account's bad debt provision.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Finance, Modernisation and Performance		
Lead Officer	Stephen Platts, Director of Regeneration		
Report Author	Julia Page, Business Development Manager		
Version	Final		
Dated	9 March 2017		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments included
Director of Law & Democracy		Yes	Yes
Finance Director		Yes	Yes
Cabinet Member		Yes	Yes
Date final report sent to Constitutional Team			9 March 2017