

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	29 September 2011
DIRECTOR	Stewart Carruth
TITLE OF REPORT	Unrecoverable Debt
REPORT NUMBER:	CG/11/106

1. PURPOSE OF REPORT

To seek Committee approval on Business Rates debts recommended as unrecoverable during 2010/11 and in excess of £25,000, as required in terms of Financial Regulations 11.3.7.

To advise numbers and values, up to £10,000, of Council Tax, Business Rates, Community Charge, Housing Benefit Overpayments and Rent Arrears deemed to be unrecoverable during 2010/11 after all approved recovery procedures have been followed, as required in terms of Financial Regulations 11.3.6 and 11.3.9

2. RECOMMENDATION(S)

The Committee is asked to:

- Note the value of Council Tax, Business Rates, Community Charge, Housing Benefit Overpayments and Rent Arrears deemed by the Director of Corporate Governance as unrecoverable and shown in Appendices I to V.
- Approve that the > £25,000 amounts for Business Rates shown in Appendix VI are also deemed as unrecoverable and be written off.

3. FINANCIAL IMPLICATIONS

The sums deemed as unrecoverable are fully provided for in terms of bad debt provision. With regard to Business Rates, these sums are met by the Rating Pool and have no impact on the Council's finances.

The total value in Appendices I to V is 11,630 cases with a value of £2,622,697 compared to 8,762 and £2,864,335 in 2009/10. To put the level of unrecoverable debt into some sort of context, the annual sums raised in 2010/11 for Council Tax (including water charges) and

Business Rates were £134m and £158m respectively. The sums deemed unrecoverable cover a number of financial years.

4. OTHER IMPLICATIONS

None

5. BACKGROUND/MAIN ISSUES

In accordance with the Council's Financial Regulations, it is policy to report annually on the levels of Council Tax, Business Rates, Community Charge, Housing Benefit Overpayments and Rent Arrears deemed unrecoverable.

The figures included within this report relate to those debts treated as unrecoverable during the financial year 2010/11. Apart from Sequestrations, debts are not deemed unrecoverable where there is ongoing liability. The sums mostly relate to previous years where all approved procedures have been followed. Full bad debt provision has been made in the accounts.

It must be emphasised that prior to completing the list, full advice, where appropriate, has been received from Legal Services and the Council's Debt Recovery Agents (Sheriff Officers) in determining that debts are indeed unrecoverable.

It should be noted that despite being deemed unrecoverable at this time, should the debtor be subsequently located, the debt will be reinstated and pursued. As an example, Former Tenants Arrears debts with a value of £1,009,331.31 were reinstated during 2010/11 after finding new addresses for the debtors.

2010/11 saw a continuation in the amount of people being sequestrated and the total of £1,186,627.77 represents 38% of personal debt deemed unrecoverable (excluding Business Rates) compared to £1,009,183 and 35% in 2009/10.

To put the level of unrecoverable debt into some sort of context, the annual sums raised in 2010/11 for Council Tax (including water charges) and Business Rates were £134m and £158m respectively. The sums deemed unrecoverable cover a number of financial years.

A breakdown identifying the reasons and the financial year in which the debt was first raised are shown for each category of debt as follows:

Council Tax:

In total 7466 debts were deemed unrecoverable with a value of £1,171,842. After allowing for £142,834 in recoveries and

reinstatements, the net amount is £1,029,008.45. A breakdown over the years and reasons are shown in Appendix I.

No individual accounts exceeded the £10,000 limit, which requires specific Committee approval.

Community Charge:

In total 594 debts were deemed unrecoverable with a value of £54,850. A breakdown over the years and reasons are shown in Appendix II.

Housing Benefit Overpayments:

In total 937 debts were deemed unrecoverable with a value of £152,375. A breakdown of the reasons is shown in Appendix III.

Rent Arrears:

In total 2319 debts were deemed unrecoverable with a value of £1,770,612 relating mostly to Former Tenants Arrears. After allowing for £1,009,331 in recoveries, the net amount is £761,281.

Business Rates:

In total 314 debts were deemed unrecoverable with a value of £652,197.63. After allowing for £40,350 in recoveries, the net amount is £611,846.88. A breakdown over the years and reasons are shown in Appendix V.

Appendix VI shows 5 debts with values above £25,000 and reasons are shown. The Committee is asked to deem the value of £162,798.35 as unrecoverable (totals also included in Appendix V).

6. IMPACT

Managing uncollectable debt in accordance with the Council's Financial Regulations promotes good practice in the administration of local taxes and other sources of income. The non-collection of the amounts owed will not affect services because full account has been taken in budgets.

The public need to be aware that debts are pursued vigorously but there is no option but to class debts as unrecoverable when businesses fail and when individuals are sequestrated (made bankrupt). This Council only writes-off debts in exceptional circumstances but reinstates amounts owed regularly when further information becomes available.

7. BACKGROUND PAPERS

None

8. REPORT AUTHOR DETAILS

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