

## **Irrecoverable Debts**

**EXECUTIVE MEMBER:** Cllr Elaine Woodburn: Leader of the Council  
**LEAD OFFICER:** Jane Salt, Head of Customer Services  
**REPORT AUTHOR:** Jane Salt, Head of Customer Services

**WHAT BENEFITS WILL THESE PROPOSALS BRING TO COPELAND RESIDENTS**  
It is good practice to write off debts that are irrecoverable.

**WHY HAS THIS REPORT COME TO THE EXECUTIVE?**  
**(eg Key Decision, Policy recommendation for Full Council, at request of Council,etc.)**  
Financial regulations state that all write offs must be approved by Corporate Leadership Team and a quarterly summary be reported to Executive. This is the report for the first three quarters April to December 2010.

<p><b>RECOMMENDATION:</b> The Executive note the writing off of debts totaling £100,182.81</p>
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### **1. INTRODUCTION**

- 1.1 Under the Council's Financial regulations all write offs must be submitted by the Service Manager to their Head of Service for counter signing before being considered by Corporate Leadership Team.
- 1.2 Before submission for write off all debts are subject to rigorous recovery action. For Council Tax and Business rates this will include the issue of a reminder, final notice, summons to the Magistrates' Court and liability order. The issue of the liability order then allows us to take a variety of actions, for example an attachment to earnings or certain types of benefit or referral of the case to a bailiff. In some cases the debts are referred to a tracing agent. For sundry debt and housing benefit overpayments, similar processes are followed but recovery is through the County Court.
- 1.3 Once approved by Corporate Leadership Team a summary must be reported to Executive, this report is that summary.
- 1.4 £67,351.26 is being written off in respect of debts where the debtor is bankrupt or the company dissolved. To date for 2010/11 the total number of accounts written off for this reason is 68, compared to 96 during 09/10.
- 1.5 The remaining balance of £32,831.55 is being written off for a variety of reasons including where:-
  - the debtor has absconded without trace or
  - the debtor has died without any estate or

- the debt is uneconomical to pursue

## 2. CONCLUSIONS

- 2.1 Of the amount approved for write off the Council bears a different proportion depending on the type of debt. For example Central Government bears the full cost of Non Domestic Rate write-offs, which accounts for £46,153.63 of the total debt being written off. This amount equates to 0.126.% of the debt raised for 2010/11.
- 2.2 Debts in respect of Council Tax total £35,339.36 and fall on the Collection Fund, of which any surplus or deficit is shared by the relevant authorities in the ratio of their precepts on the Collection Fund in the previous year. This ratio for 2010/11 could mean that the amount of debt falling to Copeland Borough Council would be £4509.26. The amount to be written off equates to 0.12% of the debt raised for 2010/11.

Agreement for the write-off of debts was confirmed by Corporate Leadership Team and will be reflected in the actual surplus or deficit upon the Collection Fund 2010/11. The surplus or deficit at the year end on the Collection Fund forms the first call on the Collection Fund in the following year i.e. 2011/12, and this opening balance will be reflected in the Council Tax calculations for 2012/13

- 2.3 The remaining debt in respect of housing benefit overpayments (£9,213.19) and sundry debts (£9,476.63) falls completely on the Council.
- 2.4 The bad debt write-offs in respect of housing benefit overpayments are charged to the housing benefits cost centre. Write-offs in respect of sundry debts are charged back to the service cost centre which received the benefit of the debtor income when it was originally raised.

## 3. WHAT ARE THE LEGAL, FINANCIAL AND HUMAN RESOURCES IMPLICATIONS?

- 3.1 The cost to the Council of writing off debts as set out in this report, noting the exception in relation to National Non-Domestic Rates, which are funded by central government and the Council Tax, where Copeland BC meets a proportion of the debt, in the ratio of its precept.

3.2 All of the debts are within the bad debt provision allowed for in 2010/11 as shown below:

Sundry debts	£180,222.21
Academy debts	£447,231.04
Council Tax	£542,530
NNDR	£194,870

**List of Appendices** None

**List of Background Documents:** Local Government Finance Act 1992  
Financial regulations

**List of Consultees:** Jo Wagstaffe, Cllr E Woodburn.