

REPORT OF STRATEGIC DIRECTOR OF SERVICE REFORM

TO THE LEAD MEMBER FOR FINANCE AND SUPPORT SERVICES

ON

28 March 2023

- TITLE: Write Off of Irrecoverable Debt –Business Rates
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RECOMMENDATIONS: The Lead Member for Finance and Support Services

- Approves the write-off of the irrecoverable debts for Business Rates to the value of **£600,323.45**
 - Notes the Write On value of **£11,620.37**
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EXECUTIVE SUMMARY:

All councils have a legal duty to ensure cost-effective billing, recovery, and collection of all payments due to the council. Salford's business rates team always attempt to recover the full balance of outstanding business rates charges; however, there are occasions when they are either unable to legally pursue a debt or where it is considered uneconomical to continue pursuit of a debt.

These debts need to be written off as part of account maintenance.

The Council has budget provision to cover the cost of debt written off.

We have recently carried out a review of our Write Off Policy and explored opportunities to improve working practices and the administration of write offs. The new working practices are more proactive in dealing with small outstanding balances, credit balances and credits generated after Write Off

BACKGROUND DOCUMENTS:

Write off strategies for each fund

Case files have been prepared for high value debts where current recovery methods have been unsuccessful.

Details of each individual account to be written off and written on can be supplied

KEY DECISION: YES

The Write - Off irrecoverable debts is provided for in the forward plan

DETAILS:

Members have previously approved the current write-off strategy which sets out the circumstances where the debt is likely to be deemed irrecoverable. These include Absconders, Ceased to trade, Bankruptcy and Liquidation.

All cases referred to in this report are now terminated and therefore do not have ongoing Business Rates liability. Full case reviews have been completed for high value cases being put forward for Write Off and where appropriate legal advice sought on recoverability and enforcement options open to seek payment in full.

Table 1 shows a summary of the proposed cases for write-off under the appropriate categories.

Table 1		
Business Rates write off Categories	Number of accounts	Write Off Value
Insolvency	45	£ 439,904.87
Abscond	61	£ 121,067.68
Uneconomical/Irrecoverable	15	£ 353.54
Statute Barred	14	£ 38,997.36
Total	135	£ 600,323.45

In the event of a successful bankruptcy petition or successful winding-up proceedings for limited companies, when the court has made an order, no further recovery action can be taken to pursue debts included in the order. These debts will be submitted for write-off.

Whilst it is not possible to report the pandemic or current economic climate to be the cause for the 45 Insolvency cases reported, 33 of these cases were dissolved across years 2020/21 2021/22 and 2022/23.

One of the objectives of the Betteroff Salford Help for your business project is to contribute to an improved collection of business rates arrears. In-depth analysis and

a review of caseload is currently underway categorising arrears based on value and looking at the propensity to pay. This exercise has exposed some historic insolvency records that had not previously been submitted for write off. The remainder 12 cases went into liquidation /dissolved during financial years 2011/12, 2014/15, 2016/17, 2017/18, 2018/19 and 2019/20.

In line with the new working practices the Business Rates Team are now more proactive in dealing with closed accounts where there is a credit balance. These practices are in line with those adopted by other local authorities, in that, if a credit remains on an account 3 months after the account is ended and it is not possible to refund due to lack of information, the credit will be written on.

Table 2 shows a summary of cases where the credit will be written on under the appropriate category.

Table 2		
Business Rates Write on Categories	Number of accounts	Write On Value
Absconded	0	£0
Insolvency	19	£11,620.37
Uneconomical/small credit balances	0	£0
Total	19	£11,620.37

Table 3 shows a summary of previously written-off debts where we have now either received payments or administered a transactional change reducing the original write-off value. Although it is not necessary under Salford's constitution to resubmit the revised write-off balance to the Lead Member, we will include these cases in future reports for information.

Table 3				
Category	Number	Previous Write off	Payment/ Adjustment	Revised Write off
Absconded	0	£0.00	£0.00	£0.00
Insolvency	9	£100,983.25	£62,800.84	£38,182.41
Uneconomical/Irrecoverable	0	£0.00	£0.00	£0.00
Total	9	£100,983.25	£62,800.84	£38,182.41

Recommendation:

Members are requested to approve the write-off of irrecoverable business rates liabilities totalling **£600,323.45** and note the write on value of **£11,620.37**

The total write-off value, as a percentage of the Net Collectible Debt for financial year 2022/2023 equates to 0.65%

The write-off of these debts has been provided for in terms of the bad debt provision.

The caseload detailed in this report have been reviewed under our revised Write off/on working practices. This will see an improvement in our account management going forward, being more proactive dealing with closed accounts where there is a credit balance and actively pursuing outstanding small balances. Higher value write-offs being requested earlier in the year and not allowing larger debts to accrue. Providing details on previous approved Write Offs where the value has been reduced following receipt of a payment or a transactional change reducing the liability.

KEY COUNCIL POLICIES: Performance Management

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS: NA

ASSESSMENT OF RISK:

The write off irrecoverable debts is an essential part of the administration of Business Rates accounts.

LEGAL IMPLICATIONS Supplied by: Nicky Smith, Senor Solicitor

The Council must follow the legal framework for the collection and recovery of business rates as laid out in Schedule 9 of the Local Government Finance Act 1988 and part 2 of the Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989. In some cases, it will be impossible to recover unpaid rates for legal reasons such as insolvency, or where it is considered uneconomical to pursue a debt. The report explains the Council's approach to such situations.

FINANCIAL IMPLICATIONS Supplied by: David Eden, Finance Manager

There are sufficient provisions available to cover the cost of the proposed write offs.

PROCUREMENT IMPLICATIONS Supplied by: NA

HR IMPLICATIONS Supplied by: NA

CLIMATE CHANGE IMPLICATIONS Supplied by: NA

OTHER DIRECTORATES CONSULTED: NA

CONTACT OFFICER:

TEL NO:

Jane Betts Service Manager Business Rates

0161 793 2710

WARDS TO WHICH REPORT RELATES:

The write-off of irrecoverable debts may relate to properties in any ward.