



Committee name: Cabinet

Committee date: 08/03/2023

Report title: Write-off of irrecoverable debt

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Head of finance, audit and risk

Wards: All Wards

KEY DECISION

Purpose

To request write offs for irrecoverable commercial customer debts in excess of £50,000 in accordance with the council's financial regulations, following completion of all available debt recovery options.

Recommendation:

It is recommended to:

1. Approve write offs totalling £162,009.80 of non-recoverable national non-domestic rate (NNDR) debt which is 100% covered within the NNDR bad debt provision; and
2. Approve a write off totalling £56,922.86 of non-recoverable sundry debt which is 100% covered within the sundry bad debt provision.

Policy framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the Norwich City Council is in good shape to serve the city corporate priority.

This report supports the priority to put the council on a sustainable financial footing and deliver services effectively and efficiently within the Corporate Plan.

Overview

1. During the pandemic, the council took a supportive approach to businesses and individuals that owed the council money. This report refers to businesses that owe the council money as commercial customers. For commercial customers, the council implemented measures to help support them during the pandemic including grants, deferring payments due and offering instalment plans where practical to do so before any debt recovery action was taken. This report includes two commercial customers where legal proceedings were concluded just prior to the pandemic or which were paused during the national lockdown and have now concluded.
2. In accordance with the council's financial regulations, any debt over £50,000 requires Cabinet approval to write off once all available debt options have been exhausted and the remaining debt is considered to be irrecoverable.
3. Each year, the council sets aside a bad debt provision after reviewing its aged debt profile to cover the event that some debt may become irrecoverable.

National Non-Domestic Rates (NNDR)

4. National Non-Domestic Rates is collected by Norwich City Council for businesses within its authority area and shared between Central Government, Norwich City Council and Norfolk County Council. Any NNDR debt written off will also be shared proportionately within the Collection Fund between all parties.
5. There are three customer accounts with a total outstanding debt of £162,009.80 where the debt recovery procedure has been followed, exhausted, and therefore regarded to be irrecoverable. Two accounts are in the same name and these have been aggregated. All of this debt is fully provided for in the NNDR debt provision. Appendix 1 provides detail of each customer.

Sundry Debt

6. Sundry debt refers to other debt that is not council tax, business rates, housing benefit overpayments or due from HRA tenants. There is one customer account with a total of £56,922.86 where the debt recovery procedure has been followed, exhausted, and therefore regarded to be irrecoverable. All of this debt is fully provided for in the sundry debt provision and can be met in full by this provision. Appendix 1 provides detail of the customer.

Consultation

7. Consultation on debt write off is undertaken between the service area, legal team and finance team in accordance with the council's debt recovery policy and procedures. Debt will only be written off when all debt recovery including legal options have been exhausted.

Implications

Financial and resources

8. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2022-26 and budget.

9. There are no proposals in this report that would reduce or increase resources.

Legal

10. NPLaw have been engaged to provide legal advice and legal debt recovery action on each customer debt in accordance with relevant legal laws and regulations.

11. This report may be considered in the public domain as the information relates to company information that is already publicly available through Companies House.

Statutory considerations

Consideration	Details of any implications and proposed measures to address:
Equality and diversity	None
Health, social and economic impact	None
Crime and disorder	None
Children and adults safeguarding	None
Environmental impact	None

Risk management

Risk	Consequence	Controls required
The failure to collect monies owed from customers could lead to financial, operational and reputation risk for the council	Non-payment by customers, non-compliance with operational procedures and reputational risk	Adherence to financial regulations and debt management procedures Supporting businesses with debt management advice including the use of third-party advisors

Other options considered

12. None. The debt recovery process has been followed.

Reasons for the decision/recommendation

13. The council seeks to recover all aged debt following its debt recovery processes. Once all debt recovery options have been exhausted, the debt is regarded irrecoverable and requires to be written off. For all customer debt over £50,000, the decision to write off is approved by Cabinet.

Background papers: None

Appendices: Appendix 1 – Schedule of Irrecoverable Debt

Contact officer:

Name: Robert Mayes, Corporate Finance Business Partner

Telephone number: 01603 989648

Email address: RobertMayes@norwich.gov.uk



If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

Appendix 1 - Schedule of Irrecoverable Debt

Business Rates (NNDR)

Reference	Account name	Reason for write off request	Amount (£)	Type of Debt
9546322	Archant Community Media Ltd (00019300)	Company Voluntary Arrangement Dividend distribution 5.1p/£ of £6,244.44 received	64,308.21	NNDR 01/07/2020 – 31/03/2021
9470588 Account 1	Faiths Lane Serviced Apartments Limited (08333320)	Company Dissolved 28/09/2021 No dividends	41,315.25	NNDR 23/09/2017 – 25/11/2018
9425236 Account 2	Faiths Lane Serviced Apartments Limited (08333320)	Company Dissolved 28/09/2021 No dividends	56,386.34	NNDR 07/08/2015 – 22/09/2017
TOTAL			162,009.80	

Sundry Debt

Invoice Number(s)	Account name	Reason for write off request	Amount (£)	Type of Debt
550048509X 5500490511 5500491536 5500493418 5500495331 5500497936 5500499142 5500501845 3001076424 550050518X 3001110226 3001110231	Beluga Lease Limited (08361129)	Company Dissolved 26/02/2019 No dividends	56,922.86	Property commercial rent and debt recovery charges
TOTAL			56,922.86	