

DEBT WRITE OFFS

It is important that the Council monitors levels and debt and writes off debt that cannot be collected. It is particularly important that the amounts reflected within the accounts are an accurate reflection of the level of debt which will be collected in the future. There are a number of reasons why debts cannot be collected and include the following categories

- Liquidation/Bankruptcy/Administration/Receivership

Once a company or individual becomes legally insolvent the Council will submit a claim in the insolvency. The Council is a non-preferential creditor and is considered for payment by the Liquidator or Trustee alongside the trade creditors. There is no further action the Council can take to recover the debt and good audit practice dictates that the outstanding sum be written off at this stage. If a dividend is later paid a debit will be created and the write off account reduced accordingly.

- Company Dissolved/Insolvent/Irrecoverable

Sometimes in chasing a company, enquiries of Companies House will reveal that a company has been struck off the Company Register. This means that the company is no longer a legal entity and can no longer trade. It is expensive and time consuming to apply for a company to be reinstated so at this stage the decision is taken to write off, unless specific circumstances apply that would merit further investigation / recovery action.

The decision will also be taken to write off where it appears following an investigation that a company has no assets or means of paying and is also insolvent. The Council will write to Companies House advising that the Council has been unsuccessful in collecting a debt and it appears the company has ceased trading

- Absconds

Either the Council and / or the Council's recovery agents have been unable to trace

- Debtor deceased with no estate

The Financial Scheme of Delegation gives the Corporate Director – Resources authority to write off all amounts where a company or individual has been declared insolvent/bankrupt and all amounts up to £20,000 which are unrecoverable for other reasons.

Any amounts over £20,000 which are not due to insolvency/bankruptcy require Cabinet agreement prior to being written off.

Over the first nine months of 2012/13 the following amounts have been written off

Debt type	Amount written off
Housing – former tenant rents	£303,404.26
Council Tax	£ 401,810.77
National Non Domestic Rates	£ 1,216,657.57
General Debtors	£368,967.32
Property	£0
TOTAL	£2,290,839.92

In addition, there are also three write offs that are above £20,000 and require Cabinet approval. These are all NNDR cases and the details are as follows:

1. New City Nites Ltd - £29,714.95

Companies House show a active proposal to strike-off & the last accounts were submitted up to 25/02/2009. Companies registered office is 44 Attingham Hill, Great Holm MK8 9BX. This is a domestic property that was sold to a new owner on 30/11/2011 who has no connection with New City Nites Ltd.

In Sept 2009 all goods removed from the premises by the landlords bailiffs in respect of rent arrears. Goods were then placed under the protection of the Police. Savilles (landlord) confirmed that the lease was forfeited by New City Nites Ltd & the account was closed.

No prospect of payment when company dissolved as we are not preferential creditors.

2. Enpol Ltd - £55,418.62

No longer trading, proposal to active strike-off on Companies House, no business accounts submitted since 06/11/2009.

Special Arrangement made on 03/02/2010 to pay £4,500.00 per fortnight - only payment ever received was £6,000.00 on 16/02/2010.

Post returned from business premises from 16/06/2010

Premises inspected 03/08/2010 no persons present but goods in property, car park empty. Notice on the property that goods had been impounded by the County Bailiff Company & notice from EDF Energy advising electric had been disconnected on 14/06/2010. Post returned from Accounts address in Dublin.

No prospect of payment as even when Company dissolved we will not be preferential creditors.

3. Yugoslav refugee Appeal - £29,810.46 (spread over 2 accounts)

The Council has had problems collecting non-domestic rates on these properties for a number of years. Many companies have gone into liquidation and also we have been advised of charitable occupations that we have not been able to verify.

In this particular case the owners have advised us that the Serbian Orthodox Church was in occupation following the occupation of the Yugoslav Refugee Appeal.

We were unable to verify the legitimacy of the Yugoslav Refugee Appeal but that charity was struck off in 2009 following the death of the owner. The Serbian Orthodox Church was originally billed for this period and liability orders obtained but after 18 months of enquiries by both the Council and our Bailiff Company Bristow & Sutor it transpired there was not an entity as the Serbian Orthodox Church.

The Council was provided with a letter by the owners in the name of an individual in which it appeared he was holding himself liable for the lease.

Legal action has been pursued, but the District Judge would not agree to a liability order on the evidence available.

Reluctantly it is accepted there is no prospect of payment of this debt.