

# **MAIDSTONE BOROUGH COUNCIL**

## **AUDIT COMMITTEE**

### **REPORT OF HEAD OF REVENUES AND BENEFITS**

**Report prepared by Stephen McGinnes**

**Date Issued: 5<sup>th</sup> September 2014**

#### **1. Irrecoverable Business Rates**

##### 1.1 Key Issue for Decision

1.1.1 In line with the role of the committee, to consider the risk around the monitoring of business rates debt identified as irrecoverable.

##### 1.2 Recommendation of Head of Revenues and Benefits

1.2.1 That the committee notes the current arrangements within the council's constitution which delegates authority for the approval of irrecoverable debt to the Leader of the Council.

1.2.2 That the committee notes the intention of the Strategic Leadership and Corporate Services Overview and Scrutiny Committee to review the council's Debt Recovery Policy and highlights any issues that it would like considered as part of that review.

##### 1.3 Reasons for Recommendation

1.3.1 The council collects business rates amounting to £57,782,565 from 4682 rate payers, with an average collection rate of 97.66%.

1.3.2 Where the council is unable to collect the business rates that are payable, it takes a robust approach to recovery. This involves progressive action which would typically include;

- Reminder for non payment
- Final Notice for non payment
- Summons for non payment
- Application to the Magistrates Court for a liability order
- Instruction of a Bailiff to recover
- Bankruptcy or Liquidation, where appropriate
- Proceedings to seek committal to prison (individuals)

1.3.3 Throughout the collection process the Council actively encourages contact from any business experiencing difficulty in order to negotiate arrangement for payment.

1.3.4 The council has exhausted all recovery processes in trying to collect the unpaid business rates from the 17 businesses identified within appendix A, with no prospect of recovering the £273,273 arrears.

Please note that with Appendix A information relating to individuals which is protected through the data protection act has been redacted.

1.3.5 In line with the council's constitution a report has been put forward to the Leader of the Council to approve the debt to be written off.

#### 1.4 Alternative Action and why not Recommended

1.4.1 Whilst the council can continue to hold the debt as outstanding, it has no prospect of recovery and will therefore distort the true financial position.

#### 1.5 Impact on Corporate Objectives

1.5.1 The correct classification of irrecoverable debt supports the effective financial management of the council.

#### 1.6 Risk Management

1.6.1 The recovery processes adopted within the Revenues and Benefits Team are subject to regular review through internal and external audit. This provides the necessary assurance that arrangements are effective and proportionate.

1.6.2 The last internal audit inspection of business rates (valuation, liability and billing) was completed in March 2014 which concluded that the controls in place provide a substantial level of assurance.

1.6.3 As part of the internal audit programme a further inspection is planned for business rates during October to January which is intended to provide a system review covering the billing and recovery process.

1.6.4 The last internal audit inspection of council tax (recovery and enforcement) was completed in June 2014 which concluded that the controls in place provide a substantial level of assurance.

#### 1.7 Other Implications

|    |                                       |   |
|----|---------------------------------------|---|
| 1. | Financial                             | X |
| 2. | Staffing                              |   |
| 3. | Legal                                 |   |
| 4. | Equality Impact Needs Assessment      |   |
| 5. | Environmental/Sustainable Development |   |
| 6. | Community Safety                      |   |
| 7. | Human Rights Act                      |   |
| 8. | Procurement                           |   |
| 9. | Asset Management                      |   |

Financial – The attached appendix recommends writing off irrecoverable debt to the value of £273,273. This represents 0.47% of the total £57m billed. Total business rates arrears at 31<sup>st</sup> March 2014 were £2.4m, of which £1.2m relates to arrears for the last financial year. The Council maintains a provision for bad debts, the extent to which the provision is used is linked to the level of arrears at the end of the financial year. There is sufficient resource available from the provision and the in-year budget for non-collection to cover the value of write off proposed while retaining adequate provision for the projected outstanding debt at 31st March 2015.

1.8 Relevant Documents

1.8.1 Appendices

Appendix A – Report to Leader of the Council

1.8.2 Background Documents

None

**IS THIS A KEY DECISION REPORT?**

**THIS BOX MUST BE COMPLETED**

Yes

No

If yes, this is a Key Decision because: .....

.....

Wards/Parishes affected: .....

.....