

IRRECOVERABLE DEBTS – MARKET KIOSKS

Report of Director of Housing, Leisure & Customer Services

1. Summary of Proposals

The Committee is asked to consider writing off 6 cases of irrecoverable debt amounting to £44,560.03 and not pursuing 7 cases of debt within the Council's accounting system as owed but not actually raised of £26,595.63.

As a result of this report a number of lessons have been learnt and action taken including:

- a) Procedures reviewed and changes implemented.
- b) Review of all sundry debts.
- c) Review of all other Service areas where local billing and cash payments are received.

2. Recommendations

The Committee is asked to RESOLVE that

- 1) **the debts totalling £44,560.03 detailed in Appendix 1, attached to the report, be written off as irrecoverable.**
- 2) **the debts of £26,595.63 detailed in Appendix 1, attached to the report, be not pursued.**

3. Financial, Legal, Policy, Risk and Sustainability / Environmental Implications

Financial

- 3.1 Provision has been made within the Council's budget for write-offs. The current position is that £57,276.35 has been written off relating to Council Tax, Non Domestic Rates, Former Tenancy Arrears, Current Rent Arrears, Sundry and Periodic Arrears in this current financial year.

Legal

- 3.2 Under Section 151 of the Local Government Act 1972, a local authority must make arrangements for the proper administration of

its financial affairs and appoint an Officer to oversee such administration.

- 3.3 The Appendix to this report is exempt in accordance with S.100 I of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006, as it contains the personal details of individuals. For this reason it is felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Policy

- 3.4 Directors are the designated Officers for this purpose and write-offs require their sanction. If a debt is written off, it can be retrieved and pursued if it comes to the Council's attention that the debtor now has the means to pay the debt. In the case of County Court judgements, the Council can pursue payment for up to 6 years after judgement is given.

Risk

- 3.5 A risk assessment has been completed of all service areas where local billing systems or cash payments are in operation to ensure effective controls measures are in place. There are no other areas which have been identified as high risk.
- 3.6 The risk of pursuing the debts for the market kiosks without having all the relevant documentation could affect the reputation of the Authority.

Sustainability / Environmental

- 3.7 None specifically relating to this report.

Report

4. Background

- 4.1 As part of the town centre redevelopment in 2001 the old Royal Square market was redeveloped. The development agreement with the owners of the Kingfisher Centre required the provision of a new covered market which was located in Market Walk to the rear of Debenhams.
- 4.2 Full Council on the 26th June 2006 agreed to the relocation of the Market to Market Place/Alcester Street on the basis of the continuing decline of the market in its existing location.

5. Key Issues

- 5.1 As part of the relocation of the market the kiosk traders were included as the kiosks were also not considered to be financially viable to continue. Therefore the kiosk tenants were offered the opportunity to move with the market traders and convert to trading on stalls.
- 5.2 The kiosks were vacated in August 2006.
- 5.3 In the initial change - over period it was accepted that time would be needed to assess if the new location proved to be financially viable and saw an increase in trading. Therefore Officers did not proactively manage the outstanding debts.
- 5.4 Early in 2008 the Borough Director reviewed with Officers the outstanding debts and agreed for a review to establish what the Council's position was in pursuing the debts and likely success.
- 5.5 Officers confirmed that all action had been taken other than to pursue debt recovery through court action. However, to take court action requires the production of signed lease agreements, and reliable accounts and records of payment. This evidence is not available.
- 5.6 Officers were requested to arrange to interview the debtors and advise them of the outstanding debts and seek to make arrangements for payment.
- 5.7 In response to the request to attend an interview, 3 did not respond, 2 letters were returned gone away, 1 attended but claimed to have passed the debt onto the current occupier.
- 5.8 Two are existing traders on the market and interviewed by Officers both claim to have paid by cash to Market staff and did not receive receipts for payment.
- 5.9 Based on the response, Officers believe that the Council is not in a position to pursue the debts any further.
- 5.10 Appendix 1 is a schedule of the outstanding debts for use of the market kiosks.
- 5.11 In relation to other sundry debts owing to the Council, with the exception of other Commercial rents there are no debts over 2 years old.

6. **Other Implications**

- Asset Management - None Specific
- Community Safety - None Specific
- Human Resources - None Specific
- Social Exclusion - None Specific

7. **Lessons Learnt**

- 7.1 An internal audit was carried out into the management of the market facilities. Detailed at appendix 2 is the audit report and a schedule of the recommendations and actions taken by Officers to ensure correct management is now in place and in the future.
- 7.2 A follow up audit was carried out during November/December 2008 and a small number of procedural issues were recommended and have subsequently been implemented.
- 7.3 Officers have reviewed all other service areas where there is a local billing and cash payment system in operation and have reviewed the risk to the Authority and risk controls.
- 7.4 The Income and Recovery Manager has carried out a review of the team managing the Council's sundry debtors accounts and implemented the following:-
 - i) Re-alignment of the team's resources to manage the range of debts.
 - ii) Establishment of regular liaison meetings with Service Managers.
 - iii) Production of arrears information to Service Managers.
 - iv) A revised cancellation procedure.

8. **Background Papers**

Personal Recovery Files (not for publication).

9. **Consultation**

There has been no consultation other than with relevant Borough Council Officers.

10. **Author of Report**

The author of this report is Jackie Smith (Director of Housing, Leisure & Customer Services), who can be contacted on extension 3176 (e-mail: Jackie.smith@redditchbc.gov.uk) for further information.

11. **Appendices**

Appendix 1 - Schedule of Market kiosks - Confidential

Appendix 2 – Internal audit report recommendation/actions -
Confidential