



**REPORT OF:** REVENUES MANAGER, LIBERATA

**TO:** SPECIAL BUDGET EXECUTIVE

**DATES:** 9<sup>th</sup> February 2016

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## RECOMMENDED WRITE OFFS REPORT

### PURPOSE OF REPORT

This report recommends the write off of debts relating to Sundry Debtors, Overpayments of Housing Benefit, Council Tax and National Non Domestic Rates.

### RECOMMENDATIONS

It is recommended that the sums of £4,159.12 in respect of Sundry Debtors, £54,263.51 in respect of overpayment of Housing Benefit Overpayment, £76,992.21 in respect of Council Tax and £156,789.86 in respect of National Non Domestic Rates, be written off as irrecoverable.

### REASONS FOR RECOMMENDATION

The prudential and considered writing off of bad debts is an essential requirement for the efficient management of the debt recovery functions.

### ISSUE

#### Sundry Debtors

1. The 9 cases recommended for write-off are summarised as follows:-

Number	Reason	Amount £
1	Absconded No Trace	1,498.23
8	Insolvent	2,660.89
9		4,159.12

2. In the one case shown above all attempts to trace the debtor, including Experian and Social Media checks have been unsuccessful.

3. In the 8 cases marked as Insolvent, 2 limited Companies went into dissolution. The Official Receiver is acting as Trustee, in the Bankruptcy Estate of one debtor. The debtor had failed to surrender to the Bankruptcy proceedings and is now detained in HMP Warrington Thorn Cross for other matters. Notwithstanding the above, a claim has been submitted in the Bankrupt's estate but it is highly unlikely that we will receive a dividend in this case.
4. For the 12 month period 1<sup>st</sup> October 2014 to 30<sup>th</sup> Sept 2015, £5.365m in Sundry income was collected against invoices raised totalling £5.474m (98%).

### **Housing Benefit Overpayments**

5. The 37 cases recommended for write off are summarised as follows: -

<b>Number</b>	<b>Reason</b>	<b>Amount £</b>
24	Legal Action failed	25,539.43
6	Claimant Gone No Trace	11,852.05
2	Insolvent	10,539.52
5	Deceased	6,332.51
37		54,263.51

6. In all cases, all avenues available for recovery have been exhausted. There are a variety of effective methods by which benefit overpayments can be recovered including, recovery from ongoing housing benefit entitlement, recovery through invoicing, court action, recovery by deduction from other social security benefits or earnings attachments, recovery from the landlord and recovery through debt collection agents. All of these recovery methods are used and each debt pursued. A range of tracing options are available to us to trace debtors who have moved away, including access to details held by the Department of Works and Pensions. This also includes access to the Experian database where we have authorisation to obtain otherwise restricted information for any person who has applied for a loan, mortgage or any form of credit. This has proved to be a very useful tracing tool and all debtors are put through the system prior to the recommendation for write-off. Again, if any new information is received regarding these debts, then the debts will be restored.
7. The 2 Insolvent cases relate to Debtor's who are subject to a Debt Relief Order (DRO). As such, there is no prospect of a return on these cases.
8. It has been confirmed that there are no funds available in the estates of the 5 deceased debtors.
9. At the end of the third quarter for 2015/16, ending 31<sup>st</sup> December 2015, overpayments totalling over 263k had been generated. For the same period, over 168k had been recovered using a variety of methods as detailed in point 6 above. The debt outstanding includes overpayments raised that are in the process of being recovered or are in the recovery process.

10. In all cases where the claimant makes any further application for Housing Benefit then the debt will be re-instated and recovery will commence from any on-going Housing Benefit entitlement.

## **Council Tax**

11. The 88 cases recommended for write off are summarised as follows: -

<b>Number</b>	<b>Reason</b>	<b>Total £</b>
55	Absconded No Trace	45,227.12
9	Insolvent	4,401.37
21	Deceased	23,271.98
3	Recovery Exhausted	4,091.74
88		76,992.21

12. In all of the above cases, all avenues available for recovery have been exhausted. All accounts raised are actively pursued for recovery. Reminders and final notices are issued, payments by instalment are negotiated and, where necessary, further action is taken. Debts are referred to the courts and to outside debt collection agencies. Recovery is made through attachment of earnings, directly from social security benefits and through the application of charging orders. We also use Enforcement Agents and apply insolvency and committal powers where appropriate.
13. Various tracing methods are used for those debtors who have moved away. This includes access to the Experian credit database. This has proved to be a very useful tracing tool and all debtors are put through the system prior to the recommendation for write-off.
14. Claims, where appropriate, have been submitted in the 9 cases marked as Insolvent and maybe subject to a dividend at a later date.
15. It has been established that there are no funds available in the Estates of the deceased persons.
16. Following Court action, reports are run to identify potential recovery remedies by matching existing Liability Orders to the latest order, thereby ensuring that cases referred to Enforcement Agents are done so as a last resort.
17. Prompt recovery action is taken on cases where arrangements are in default or where payments are not made in respect of Attachment of Earnings and Benefit orders. These cases are identified on a weekly basis and are imported into the Document Management System for Officers to review.
18. Due to the significant expense of taking recalcitrant debtors through the Committal process (£245.00 per application), returned Enforcement Agent cases from Liberata's two suppliers, are, where possible, recycled to the alternative provider.

19. Once all available and/or appropriate avenues are exhausted, debts are recommended for write-off. However, as and when any new information is received regarding these debts, the debts will be restored. For the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> December 2015, a total of £54,781.35, in debt previously written off, has been written back on.
20. In current year, the total Collectable debt for council tax is circa £39m. As at 31<sup>st</sup> December 2015, the collection rate for current year alone was 82.94%, equating to the collection of around over £32.3m for current year debt alone.
21. The level of recommended write-off is very low level as a percentage of total debt raised. The level of recommended write-off in this report is less than 0.2% of the total debt raised in the current year.

### **National Non-Domestic Rate**

22. The 13 cases recommended for write off are summarised as follows: -

Number	Reason	Total £
5	Gone No Trace	8,612.62
7	Insolvent	147,658.24
1	Recovery Exhausted	519.00
13		156,789.86

23. As with Council Tax, the same approach has been taken with regards to the recovery of unpaid debts, the tracing of absconded debtors and dealing with Insolvency cases as highlighted in points 12, 13 and 14, respectively. However, it should be noted that recovery through Attachment of Earnings and Benefit Orders is not an option available to us for the recovery of Non-Domestic Rates.
24. The 1 case identified as recovery exhausted relates to a 15 year old debt on a unit at Cliffe Street, Nelson. Both Enforcement Agent providers have been unsuccessful and the debtor is now in detention.
25. In current year, the total Collectable debt for Non Domestic Rate is circa £20.28m. As at 31<sup>st</sup> December 2015, the collection rate for current year alone was 84.57%, equating to the collection of over £17.1m for current year debt alone. The level of recommended write-off is considered a low as a percentage of total debt raised in the current year at 0.77%.
26. For the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> December 2015, over £5k in debt previously written off, has been written back on.
27. It should be noted that the Council administers and shares the National Non Domestic Rates income with the Department of Communities and Local Government (50%), County Council (9%) and Fire Authority (1%). Pendle retains 40%. An annual provision is made for bad debts within the accounts and is reviewed each year to assess its adequacy. The write-offs requested will be charged against this provision.

## 28. Conclusions

The writing off of debt which is uncollectable is recognised as good practice by the National Audit Office, CIPFA, DCLG and the Department of Works and Pensions. Debts are only considered for write-off after taking all possible steps to collect. Processes and procedures are continually reviewed to ensure maximum effectiveness in debt collection and recovery. Recovery targets are set throughout the service areas functions.

## IMPLICATIONS

**Policy:** The debt write-offs set out in this report are in accordance with documented and agreed Council policy.

**Financial:** As part of the Council's annual closure of accounts process, an assessment is made of the provision required to meet bad and doubtful debts. This provision is calculated in accordance with recommended practice and is based generally on the age of debt and status of recovery. Subject to the outcome of this assessment, the provision is increased/reduced each year with any change in the provision impacting on the Collection Fund (in the case of Council Tax and NNDR), and the General Fund (in the case of other debts).

Once amounts are approved for write off, they are charged against the respective provision rather than being charged against the related Fund. The table below provides details of the provision for bad and doubtful debts for each category of debt, the amount of proposed write off and the remaining balance of the provision. As the table indicates, there is sufficient provision to meet the proposed write offs.

Debt Type	Current Balance of Provision at 1.4.15 £'000	Executive Write-offs Approved to-date £'000	Proposed Write-Off £'000	Balance of Provision £'000*1
Council Tax	3,360	(97)	(77)	3,186
Business Rates	800	(98)	(157)	545
Hsg Benefit O'pymts	2,620	(126)	(54)	2,440
Sundry Debtors	297	(0)	(4)	293
<b>Totals</b>	<b>7,077</b>	<b>(321)</b>	<b>(292)</b>	<b>6,464</b>

\*1. Excludes sums written off under officer delegation

In addition to the write-offs requested in this report, the following amounts have been written off under officer delegation in the year to-date:

	£	
Former tenant arrears (Housing)	171.82	5 cases
Housing Benefit Overpayments	16,407.23	121cases
Estates and Properties	1,367.69	34 cases
Sundry Debts	1,485.01	21 cases

**Legal:** None

**Risk Management:** None

**Health and Safety:** None

**Sustainability:** None

**Community Safety:** None

**Equality and Diversity:** None

## APPENDICES

None

## LIST OF BACKGROUND PAPERS

None