



**REPORT OF:** REVENUES MANAGER, LIBERATA

**TO:** EXECUTIVE

**DATES:** 22<sup>nd</sup> June 2017

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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 Rate.

### RECOMMENDATION

It is recommended that the sums of £5,326.65 in respect of Sundry Debtors, £46,551.67 in respect of overpayment of Housing Benefit Overpayment, £105,639.48 in respect of Council Tax and £54,228.20 in respect of National Non Domestic Rate, be written off as irrecoverable.

### REASON 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 18 cases recommended for write off are summarised as follows: -

Number	Reason	Amount £
17	Recovery Exhausted	4,354.64
1	Absconded (No Trace)	972.01
18		5,326.65

2. The 18 invoices relate to 5 different Debtors. In all cases, recovery has been exhausted. In 4 of the 5 cases, it has been established that the Debtors have no goods for County Court Enforcement Agents to take control of. In the remaining case, the Debtor has absconded and attempts to trace their whereabouts have been unsuccessful.
3. In 2016/17, 11,740 Sundry Income invoices were raised with a total cash value of £5.8m. At 31<sup>st</sup> May 2017, £5.7m (98%) of that debt had been recovered.

### Housing Benefit Overpayments

4. The 29 cases recommended for write off are summarised as follows: -

Number	Reason	Amount £
19	Legal Action failed	29,960.72
6	Claimant Gone No Trace	10,989.35
3	Insolvent	4,682.56
1	Deceased	919.04
29		46,551.67

5. 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.
6. 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 Call Credit's 360 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 3 cases of Insolvency relate to debtors who have been declared Bankrupt. Claims, where appropriate, have been submitted to the Official Receiver or Trustee and may be subject to a dividend at a later date. It has been confirmed that there are no funds available in the estate of the deceased debtor.
8. For the final quarter of 2016/17, ending 31<sup>st</sup> March 2017, overpayments totalling over £242k had been generated. For the same period, almost £200k had been recovered using a variety of methods including recovery from underpayments or ongoing benefit entitlement, invoicing, Direct Earnings Attachments and the utilisation of debt collection agents. The debt outstanding includes overpayments raised that are in the process of being recovered or are in the recovery process.
9. 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

10. The 101 cases recommended for write off are summarised as follows: -

Number	Reason	Total £
16	Absconded No Trace	22,006.32
63	Insolvent	64,271.95
8	Deceased	7,951.00
12	Recovery Exhausted	8,829.61
2	Out of Legal Jurisdiction	2,580.60
101		105,639.48

11. 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.
12. Various tracing methods are used for those debtors who have moved away. This includes checks through Social Media and access to Call Credit's 360 database. These have proved to be useful tracing tools. Social Media checks will occasionally allow us to identify an absconded debtor's employment details so we can issue Attachments of Earnings notifications. All debtors are put through the system prior to the recommendation for write-off.
13. Claims, where appropriate, have been submitted in the 63 cases marked as Insolvent and maybe subject to a dividend at a later date. It has been established that there are no funds available in the Estates of the deceased debtors.
14. The 2 cases shown as Out of Legal Jurisdiction relate to one Debtor who lives on the Isle of Wight and the other is resident in Scotland, where our Enforcement Agents have no authority to take control of goods.
15. 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.
16. 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.
17. 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, where possible, are recycled to the alternative provider.

18. 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 year 2016/17, almost £68k in debt previously written off, has been written back on.
19. In current year, the total collectable debt for council tax is c£43.7m. As at 31<sup>st</sup> May 2017, the collection rate for current year alone was 20.32%, equating to the collection of £8.88m for the first 2 months of this financial year.
20. The level of recommended write-off in this report is very low as a percentage of the total debt raised representing 0.24% of the total raised in the current year.

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

21. The 12 cases recommended for write off are summarised as follows: -

<b>Number</b>	<b>Reason</b>	<b>Total £</b>
5	Gone No Trace	24,130.79
5	Insolvent	27,560.68
2	Recovery Exhausted	2,536.73
12		54,228.20

22. 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 11, 12 and 13, 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.
23. In current year, the total collectable debt for Non Domestic Rate is c£19.88m. As at 31<sup>st</sup> May 2017, the collection rate for current year alone was 19.58%, equating to the collection of approximately £3.89m for current year debt alone.
24. The level of recommended write-off in this report is very low as a percentage of the total debt raised representing 0.27% of the total raised in the current year.
25. It should be noted that we administer and share 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.

### **Conclusions**

26. 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.

