



**REPORT OF:** REVENUES MANAGER, LIBERATA

**TO:** EXECUTIVE

**DATE:** 20<sup>TH</sup> AUGUST 2015

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## RECOMMENDED WRITE OFFS REPORT

### PURPOSE OF REPORT

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

### RECOMMENDATIONS

It is recommended that the sums of £126,191.01 in respect of Housing Benefit Overpayments, £96,530.40 in respect of Council Tax and £98,208.08 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

#### Housing Benefit Overpayments

1. The 54 cases recommended for write off are summarised as follows: -

Number	Reason	Amount £
35	Recovery Action Exhausted	89,949.75
10	Claimant Gone No Trace	15,527.39
6	Insolvent	16,375.72
3	Deceased	4,338.15
54		126,191.01

2. 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, recovery by Direct Earnings Attachment, recovery by deduction from other social security benefits, 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.
3. At the end of the first quarter for 2015/16, ending 30<sup>th</sup> June 2015, overpayments totaling £477k had been generated. For the same period, £398k 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.
4. 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

5. The 109 cases recommended for write off are summarised as follows: -

Number	Reason	Total £
72	Absconded No Trace	63,431.96
31	Insolvent	30,457.62
6	Deceased	2,640.82
109		96,530.40

6. 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 apply insolvency, distress and committal powers where appropriate.
7. 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.
8. Claims, where appropriate, have been submitted in the 31 cases marked as Insolvent and may be subject to a dividend at a later date.
9. There are no funds available from the Estates of the 6 Debtors who have passed away.

10. 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.
11. 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.
12. 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 supplier.
13. 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. Since 1<sup>st</sup> April 2015, a total of £20,143.60, in debt previously written off, has been written back on.
14. In the current year, the total collectable debt for council tax is circa £39.4m. As at 30<sup>th</sup> June 2015, the collection rate for current year alone was 29.18%, equating to the collection of almost £11.5m for current year debt alone.
15. 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 0.25% of the total debt raised in the current year.

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

16. The 23 cases recommended for write off are summarised as follows: -

<b>Number</b>	<b>Reason</b>	<b>Total £</b>
4	Gone No Trace	24,286.69
18	Insolvent	67,500.47
1	Deceased	6,420.92
23		98,208.08

17. 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, including Administrations, Liquidations, Dissolutions and Company Voluntary Arrangements, as highlighted in points 6, 7 and 8, 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 Rate.
18. In current year, the total collectable debt for Non Domestic Rates is circa £20.4m. As at 30<sup>th</sup> June 2015, the collection rate for current year alone was 30.33%, equating to the collection of £6.2m for current year debt alone.
19. 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 0.5% of the total debt raised in the current year.

## 20. Conclusions

The writing off of debt which is uncollectable is recognised as good practice by the National Audit Office, CIPFA, DCLG and the Department for Work 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

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

### Financial

22. 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).
23. 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	0	(97)	3,263
Business Rates	800	0	(98)	702
Hsg Benefit O'pymts	2,620	0	(126)	2,494
<b>Totals</b>	<b>6,780</b>	<b>0</b>	<b>(321)</b>	<b>6,459</b>

\*1. Excludes sums written off under officer delegation

24. The approved annual budgets include provisions for bad debt which conforms to nationally recommended practice. The current levels of recommended debt write-offs are adequately covered by these provisions.
25. 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	2,255.79	33 cases
Estates and Properties	1,367.69	34 cases
Sundry Debts	1,485.01	21 cases

## **Legal**

26. There are no legal implications arising directly from the contents of this report.

## **Risk Management**

27. There are no risk management implications arising directly from the contents of this report.

## **Health and Safety**

28. There are no health and safety implications arising directly from the contents of this report.

## **Sustainability**

29. There are no sustainability implications arising directly from the contents of this report.

## **Community Safety**

30. There are no community safety implications arising directly from the contents of this report.

## **Equality and Diversity**

31. There are no equality and diversity implications arising directly from the contents of this report.

## **APPENDICES**

None.

## **LIST OF BACKGROUND PAPERS**

None.