



REPORT OF: REVENUES MANAGER, LIBERATA

TO: EXECUTIVE

DATES: 25th August 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 following amounts be written off as irrecoverable:

- (a) £2,176.00 in respect of Sundry Debtors
- (b) £61,933.28 in respect of Housing Benefit Overpayments,
- (c) £128,829.72 in respect of Council Tax
- (d) £158,662.97 in respect of National Non-Domestic Rates.

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 7 cases recommended for write off are summarised as follows: -

Number	Reason	Amount £
7	Deceased	2,176.00
7		2,176.00

2. All 7 accounts relate to the same Debtor who has passed away. There is no prospect of recovering the unpaid invoices from the Deceased's estate.
3. For the year, 2015/16, £5.398m in Sundry income was collected against invoices raised totalling £5.509m (98%).

Housing Benefit Overpayments

4. The 39 cases recommended for write off are summarised as follows: -

Number	Reason	Amount £
28	Legal Action failed	35,942.98
5	Claimant Gone No Trace	15,824.06
4	Insolvent	3,685.41
2	Deceased	6,480.83
39		61,933.28

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 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 4 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.
8. It has been confirmed that there are no funds available in the estates of the 2 debtors who are now deceased.

9. At the end of the first quarter for 2016/17, ending 30th June 2016, overpayments totalling over £225k had been generated. For the same period, over £208k 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.
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 156 cases recommended for write off are summarised as follows: -

Number	Reason	Total £
65	Absconded No Trace	42,176.52
29	Insolvent	34,211.25
38	Deceased	23,199.14
12	Recovery Exhausted	16,344.46
8	Extenuating Circumstances	9,901.59
2	Out of Legal Jurisdiction	2,293.40
2	Bona Vacantia	703.36
156		128,829.72

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 29 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 debtors.

16. The 8 Extenuating Circumstance cases relate to 5 different debtors. One of them was a victim of the Practical Property Portfolios (PPP) Buy to Let scam. 3 have Mental Health issues with no prospect of recovery and one suffers from acute memory loss as a result of an almost fatal Road Traffic Accident.
17. The 2 cases shown as Bona Vacantia (Ownerless Goods) relate to 2 Companies, who owned properties but who went into Dissolution. On Dissolution, the properties vest in the Duchy of Lancaster. Normally, the asset will be disclaimed or sold for full market value.
18. The cases shown as 'Out of Legal Jurisdiction' are in respect of one debtor who has moved abroad and another who now lives in Scotland.
19. 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.
20. 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.
21. 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.
22. 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 1st April 2016 to 30th June 2016, over £9k in debt previously written off, has been written back on.
23. In current year, the total Collectable debt for council tax is circa £41.6m. As at 31st July 2016, the collection rate for current year alone was 37.98%, equating to the collection of £15.8m.
24. The level of recommended write-off is low as a percentage of total debt raised. The level of recommended write-off in this report equates to 0.31% of the total debt raised in the current year.

National Non-Domestic Rate

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

Number	Reason	Total £
4	Gone No Trace	13,480.94
10	Insolvent	123,042.22
5	Recovery Exhausted	7,787.10
1	Deceased	10,096.22
1	Extenuating Circumstances	4,256.49
21		158,662.97

26. 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 Rate.
27. 1 of the cases marked as Extenuating Circumstances relates to a debtor who has a terminal illness.
28. There are no funds in the deceased Estate of the 1 person who has passed away.
29. In current year, the total Collectable debt for Non Domestic Rate is circa £20.9m. As at 31st July 2016, the collection rate for current year alone was 38.17%, equating to the collection of c£8m for current year debt.
30. The level of recommended write-off is low level as a percentage of total debt raised. The level of recommended write-off in this report equates to 0.76% of the total debt raised in the current year.
31. For the period 1st April 2016 to 30th June 2016, c£1k in debt previously written off has been written back on.
32. 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. Subject to approval, the write-offs requested will be charged against this provision.

33. 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. The 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 Non Domestic Rates), 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 1.4.16 £'000	Executive Write-offs Approved to-date £'000	Proposed Write-Off £'000	Balance of Provision £'000*1
Council Tax	3,640	0	(129)	3,511
Business Rates	940	0	(159)	781
Housing Benefit Overpayments	2,742	0	(62)	2,680
Sundry Debtors	299	(8)	(2)	289
Totals	7,621	(8)	(352)	7,261

*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 this financial year to-date:

	£	
Housing Benefit Overpayments	11,756.41	65 cases
Council Tax	34,949.83	240 cases
Sundry Debts	432.00	1 case

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