



REPORT OF: REVENUES MANAGER, LIBERATA

TO: EXECUTIVE

DATES: 8th December 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 Rate.

RECOMMENDATION

It is recommended that the sums of £4,764.26 in respect of Sundry Debtors, £56,563.65 in respect of overpayment of Housing Benefit Overpayment, £68,796.29 in respect of Council Tax and £48,321.98 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 14 cases recommended for write off are summarised in the table below: -

Number	Reason	Amount £
14	Recovery Exhausted	4,764.26

2. The 14 invoices relate to 4 different debtors. In all cases, recovery has been exhausted. In 3 of the 4 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 is an unemployed single parent where there is little or no prospect of recovery and the costs of taking legal action are prohibitive.

3. For the half year ending 30th September 2016, over £1.535m in sundry income was collected against invoices raised totalling just over £1.6m (95.9%).

Housing Benefit Overpayments

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

Number	Reason	Amount £
13	Legal Action failed	18,057.34
8	Claimant Gone No Trace	12,696.88
6	Insolvent	9,118.18
2	Deceased	16,691.25
29		56,563.65

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 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 6 cases of insolvency relate to debtors who have been declared bankrupt. Where appropriate claims 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 estates of the 2 debtors who are now deceased.
8. At the end of the second quarter for 2016/17, ending 30th September 2016, overpayments totalling over £351k had been generated. For the same period, over £221k had been recovered using a variety of methods including recovery from underpayments or ongoing benefit entitlement, invoicing, Direct Earnings Attachments and the use 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 91 cases recommended for write off are summarised as follows: -

Number	Reason	Total £
57	Absconded No Trace	44,883.09
26	Insolvent	15,478.76
7	Deceased	6,090.18
1	Extenuating Circumstances	2,344.26
91		68,796.29

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 26 cases marked as insolvent and maybe subject to a dividend at a later date.
14. It has been established that there are no funds available in the Estates of the deceased debtors.
15. The 1 case shown as Extenuating Circumstances relates to a debtor who had a Council Tax Benefit Overpayment in 2013/14, dating back to 27th March 2006. Due to the taxpayer's age and circumstances and there being no prospect of collecting the debt in the foreseeable future, via any of the remedies available to us, it was decided to accept a lump sum payment of £3,500 in settlement of the debt.
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, where possible, are 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 1st April 2016 to 31st October 2016, over £23k in debt previously written off, has been written back on.
20. In current year, the total Collectable debt for council tax is circa £41.7m. As at 31st October 2016, the collection rate for current year alone was 65.22%, equating to the collection of around over £27.2m for the first 7 months of this financial year.
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 0.17% 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 £
3	Gone No Trace	6,864.29
10	Insolvent	41,457.69
13		48,321.98

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 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.
24. In current year, the total Collectable debt for Non Domestic Rate is circa £20.85m. As at 31st October 2016, the collection rate for current year alone was 67.44%, equating to the collection of approximately £14.1m for current year debt alone.
25. 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 0.23% of the total debt raised in the current year.
26. 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%.
27. 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. 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 amounts recommended for write-off in this report.

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	(129)	(69)	3,442
Business Rates	940	(159)	(48)	733
Housing Benefit Overpayments	2,742	(62)	(57)	2,623
Sundry Debtors	299	(10)	(5)	284
Totals	7,621	(360)	(179)	7,082

*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 (i.e. amounts up to £500) since the previous write-offs report in August:

	£	
Housing Benefit Overpayments	5,867.01	(35 cases)
Council Tax	544.49	(2 cases)
Estates and Properties	881.30	(27 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