



**REPORT OF:** REVENUES MANAGER, LIBERATA

**TO:** EXECUTIVE

**DATE:** 14<sup>th</sup> December 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 £1,683.29 in respect of Sundry Debtors, £57,016.30 in respect of the overpayment of Housing Benefit, £138,166.35 in respect of Council Tax and £52,101.05 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 8 cases recommended for write off are summarised as follows: -

Number	Reason	Amount £
8	Recovery Exhausted	1,683.29
8		1,683.29

2. The 8 invoices all relate to the same debtor. The case was progressed through Legal Services but the debtor is now in long term detention and there are no assets to claim against.
3. In 2017/18, for the half year ending 30<sup>th</sup> September 2017, 6,695 Sundry Income invoices were raised with a total cash value of £3.73m. At 15<sup>th</sup> November 2017, £3.58m (96%) of this debt had been recovered.

### **Housing Benefit Overpayments**

4. The 31 cases recommended for write off are summarised as follows: -

<b>Number</b>	<b>Reason</b>	<b>Amount £</b>
13	Legal Action failed	13,673.11
9	Claimant Gone No Trace	13,136.60
4	Insolvent	9,462.31
5	Deceased	20,744.28
31		57,016.30

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 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. It has been confirmed that there are no funds available in the estate of the deceased debtors.
8. At the quarter ending 30<sup>th</sup> September 2017, overpayments totalling £296k had been generated of which £176k 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 142 cases recommended for write off are summarised as follows: -

Number	Reason	Total £
72	Absconded No Trace	63,420.97
34	Insolvent	37,825.72
18	Deceased	15,123.40
13	Recovery Exhausted	12,337.86
5	Out of Legal Jurisdiction	9,458.40
142		138,166.35

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 34 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 5 cases shown as Out of Legal Jurisdiction all relate to the same debtor who lives in the Republic of Ireland so there is no prospect of recovering the outstanding balances.
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 year 2017/18, almost £14k in debt previously written off, has been written back on.
20. In the current year, the total collectable debt for council tax is c£43.8m. At 15<sup>th</sup> November 2017, the collection rate for current year alone was 68.07%, equating to the collection of over £29.8m.
21. The level of recommended write-off in this report is very low as a percentage of the total debt raised representing 0.32% of the total raised in the current year.

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

22. The 15 cases recommended for write off are summarised as follows: -

<b>Number</b>	<b>Reason</b>	<b>Total £</b>
15	Insolvent	52,101.05
15		52,101.05

23. As with Council Tax, the same approach has been taken with regards to dealing with Insolvency cases as highlighted in point 13.
24. In the current year, the total collectable debt for Non Domestic Rate is c£19.8m. At 15<sup>th</sup> November 2017, the collection rate for current year alone was 70.24%, equating to the collection of approximately £13.9m for current year debt alone.
25. The level of recommended write-off in this report is very low as a percentage of the total debt raised representing 0.26% of the total 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%. 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**

27. 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:** 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 1.4.17 £'000	Executive Write-offs Approved to-date £'000	Proposed Write-Off £'000	Balance of Provision £'000*1
Council Tax	3,750	(106)	(138)	3,506
Business Rates	680	(54)	(52)	574
Housing Benefit Overpayments	2,842	(47)	(57)	2,738
Sundry Debtors	335	(5)	(2)	328
<b>Totals</b>	<b>7,607</b>	<b>(212)</b>	<b>(249)</b>	<b>7,146</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 (i.e. amounts up to £500) so far in this financial year:

	£	
Housing Benefit Overpayments	11,832.01	(91 cases; avg. debt c£130)
Estates and Properties	710.34	(46 cases; avg. debt c£15)

**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