



REPORT OF: REVENUES MANAGER, LIBERATA
TO: POLICY & RESOURCES COMMITTEE
DATES: 23RD OCTOBER 2018

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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 Rate and Overpayments of Housing Benefit.

RECOMMENDATION

It is recommended that the sums of £134,152.71 in respect of Housing Benefit Overpayments, £135,037.31 in respect of Council Tax and £71,032.09 in respect of Business Rates 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

Housing Benefit Overpayments

1. The 33 cases recommended for write off are summarised as follows: -

Number	Reason	Amount £
16	Legal Action Failed	63,239.78
4	Claimant Gone No Trace	19,737.78
7	Insolvent	27,260.76

6	Deceased	23,914.39
33	Total	134,152.71

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.
3. 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. If any new information is received regarding these debts, then the debts will be restored.
4. The 7 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 estates of the deceased debtors.
5. At the end of the first quarter for 2018/19, ending 30th June 2018, overpayments totalling over 194k had been generated. For the same period, over 160k 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.
6. 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

7. The 112 cases recommended for write off are summarised as follows: -

Number	Reason	Total £
35	Absconded No Trace	52,375.10
48	Insolvent	48,092.17
28	Recovery Exhausted	30,532.86
1	Extenuating Circumstances	4,037.18
112	Total	135,037.31

8. 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. 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.
9. 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 Attachment of earnings notices. All debtors are put through the system prior to the recommendation for write-off.
10. Claims, where appropriate, have been submitted in the 48 cases marked as Insolvent and maybe subject to a dividend at a later date.
11. The 1 case where there are Extenuating Circumstances the debtor who has been detained under Section 3 of the Mental Health Act 1983.
12. 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.
13. 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.
14. 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.
15. 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 1st April 2018, a total of £14,836.08, in debt previously written off, has been written back on.
16. In current year, the total Collectable Debt for Council Tax is circa £46.97m. As at 30th September 2018, 55.64% of the total has been collected to date, equating to the collection of over £26.13m.
17. The level of recommended write-off is very low level as a percentage of total debt raised being less than 0.29% of the total debt raised in the current year.

Business Rates

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

Number	Reason	Total £
4	Gone No Trace	10,002.74

14	Insolvent	55,180.77
1	Recovery Exhausted	3,138.27
2	Out of Legal Jurisdiction	2,710.31
21	Total	71,032.09

19. As with Council Tax explained above the same approach is taken to recover unpaid debts such as: tracing absconded debtors; dealing with insolvency cases; Administrations; Liquidations; Dissolutions and Company Voluntary Arrangements. It should be noted, however, that recovery through Attachment of Earnings and Benefit Orders is not an option available to recover Business Rates.
20. The 2 cases identified as 'Out of Legal Jurisdiction' relate to one account where the name on the Liability Order was erroneous, rendering it unenforceable and another where the debtor is in the Republic of Ireland so recovery action is out of scope.
21. In current year, the total Collectable Debt for Business Rates Rate is circa. £19.84m. As at 30th September 2018, 57.55% of that total had been collected equating to the collection of over £11.4m.
22. The level of recommended write-off is very low level as a percentage of total debt raised being less than 0.36% of the total debt raised in the current year.
23. It should be noted that we administer and share Business Rates with Central Government (50%), Lancashire County Council (9%) and Lancashire Fire and Rescue Service (1%). Pendle retains 40%. An annual provision is made for bad debts within the accounts which is reviewed each year to assess its adequacy. The write-off levels requested will be charged against this provision.

24. Conclusions

The writing off of debt which is uncollectable is recognised as good practice by the National Audit Office (NAO), Chartered Institute for Public Finance and Accountancy (CIPFA), Ministry for Housing, Communities and Local Government (MHCLG) and the Department of Works and Pensions (DWP). 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 the report are in accordance with the 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 the debt and status of recovery. The closure of accounts process is inspected by our external auditors Grant Thornton.

Subject to the outcome of this assessment the provision is increased or reduced each year with and any change in the provision impacting on the Collection Fund (if the debt is Council Tax or Business Rates) or the General Fund (in the case for other debts to the Council).

Once amounts are approved for write off they are charged against the respective provision rather than being charged against the relevant fund/budget. The table below provides details of the provision for bad and doubtful debts for each category of debt, the amount of 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	Opening Balance as at 01/04/18 £000	Proposed Write Offs P&R October 2018 £000	Estimated Closing Balance as at 31/03/19 £000
Council Tax	4,170	(135)	4,035
Business Rates	650	(71)	579
Housing Benefits Overpayments	2,734	(134)	2,600
Sundry Debtors	332	-	332
Totals	7,886	(340)	7,546

The table above excludes the amounts that have been written off under officer delegation (i.e. amounts under £1,000) in 2018/19. These are as follows:-

Type	Amount £	No. of Cases	Average Debt £
Housing Benefit Overpayments	26,986.52	34	402.78
Sundry Debtors	6,722.04	67	197.71

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