



REPORT OF: REVENUES MANAGER, LIBERATA

TO: POLICY AND RESOURCES COMMITTEE

DATES: 19th MARCH 2019

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RECOMMENDED WRITE OFFS REPORT

PURPOSE OF REPORT

This report recommends the write off of debts relating to Housing Benefit Overpayments, Council Tax, Business Rates and Sundry Income.

RECOMMENDATIONS

The committee is recommended to:-

Write off as irrecoverable the sums of £12,311.40 in respect of Housing Benefit Overpayments, £33,866.36 in respect of Council Tax, £218,290.50 in respect of Business Rates and £1,079.56 in respect of Sundry Income.

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

Number	Reason	Amount £
3	Legal Action Failed	4,057.38
1	Claimant Gone No Trace	2,740.02
1	Insolvent	1,572.77
2	Deceased	3,941.23
7	Total	12,311.40

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. Please note that if any new information is received regarding these debts, then the debts will be restored.
4. The 1 Insolvent case relates to a debtor who was subject to a Debt Relief Order.
5. It has been confirmed that there are no funds available in the estates of the 2 deceased debtors.
6. During the third quarter ending 31st December 2018, overpayments totalling over £226k had been generated. For the same period, over £195k 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.

7. 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

8. The 40 cases recommended for write off are summarised as follows: -

Number	Reason	Total £
3	Out of Legal Jurisdiction	2,584.04
8	Insolvent	6,403.34
3	Recovery Exhausted	3,635.38
3	Extenuating Circumstances	3,337.99
23	Deceased	17,905.61
40	Total	33,866.36

9. 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.
10. Claims where appropriate, have been submitted in the 8 cases marked as Insolvent and maybe subject to a dividend at a later date.
11. The 3 Extenuating Circumstances cases relate to 2 debtors. 1 is severely mentally impaired and the other is a vulnerable debtor who would otherwise be entitled to Council Tax Support but refuses to apply for it.
12. It has been confirmed that there are no funds available in the estates of the 23 deceased debtors.
13. The 3 Out of Legal Jurisdiction cases are in respect of 2 debtors who have now moved up to Scotland.
14. 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.

15. 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.
16. 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.
17. 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 £30,022.23, in debt previously written off, has been written back on.
18. In current year, the total Collectable Debt for Council Tax is circa £46.9m. As at 31st January 2019, 91.56% of the total has been collected to date, equating to the collection of over £42.9m.
19. The level of recommended write-off is very low level as a percentage of total debt raised being less than 0.075% of the total debt raised in the current year.

Business Rates

20. The 32 cases recommended for write off are summarised as follows: -

Number	Reason	Total £
29	Insolvent	214,639.99
3	Recovery Exhausted	3,650.51
32	Total	218,290.50

21. As with Council Tax, explained above, the same approach is taken to recover unpaid debts. It should be noted, however, that recovery through Attachment of Earnings and Benefit Orders is not an option available to recover Business Rates.
22. Of the 29 Insolvent cases, 26 of them relate to Pendle Rise Management (NW) Ltd, who were wound up in Court on 9th January 2019 following the Council's winding up petition. No Rates had been paid by Pendle Rise Management (NW) Ltd since they became liable for Rates on 28th July 2017. Whilst a claim has been submitted to the Official Receiver, there is no prospect of a distribution of funds because there are no realisable assets. This course of action means the Council can now pursue the owners of the shopping centre for Rates liability. Of the remaining 3 Insolvent cases, 2 Companies went into dissolution and the other into Administration.

23. In current year, the total Collectable Debt for Business Rates is circa. £19.63m. As at 31st January 2019, 92.41% of that total had been collected equating to the collection of over £18.1m.
24. The level of recommended write-off is reasonably low as a percentage of the total debt raised in the current year at 1.1%.
25. 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.

Sundry Debtors

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

Number	Reason	Amount £
7	Recovery Exhausted	1,079.56
7	Total	1,079.56

27. The 7 invoices all relate to the same debtor. Judgement was granted by the Courts, however the Court bailiff was unable to recover the outstanding debt and subsequent Legal action was unsuccessful.
28. For the 12 month period ending 30th Oct 2018, almost 6.65m in Sundry income was collected against invoices raised totalling almost 6.8m (97.8%).

29. 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	Actual Write Offs P&R Oct 2018 £000	Proposed Write Offs P&R March 2019 £000	Estimated Closing Balance as at 31/03/19 £000
Council Tax	4,170	(131)	(33)	4,035
Business Rates	650	(71)	(218)	579
Housing Benefits Overpayments	2,734	(135)	(12)	2,587
Sundry Debtors	332		(1)	331
Totals	7,886	(337)	(340)	7,209

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