



REPORT OF: REVENUES MANAGER, LIBERATA

TO: POLICY AND RESOURCES COMMITTEE

DATES: 24th OCTOBER 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.

RECOMMENDATION

The Committee is recommended to:-

Write of as irrecoverable the sums of £44,152.53 in respect of Housing Benefit Overpayments, £139,683.67 in respect of Council Tax, £107,303.96 in respect of Business Rates and £1,044.79 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 5 cases recommended for write off are summarised as follows: -

Number	Reason	Amount £
3	Legal Action Failed	5,137.24
1	Claimant Gone No Trace	37,093.57
1	Insolvent	1,921.72
5	Total	44,152.53

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. The 1 case detailed as Absconded No Trace relates to an Algerian debtor who committed identity fraud by entering the country illegally some years ago using a French passport. He was arrested at Nelson Job Centre on 15th March 2019, on account of his identity fraud and being in the country illegally, since which time he has been in legal custody. He will not be returning to the debt address or to any other address or employment in Britain. In April 2019 he was sentenced to 20 months imprisonment and will be deported back to Algeria upon his release. Therefore, there is no prospect of ever recovering the overpaid £37,093.57.
4. The 1 Insolvent case relates to a debtor who was subject to a Debt Relief Order.
5. At the end of the second quarter for 2019/20, ending 30th September 2019, overpayments totalling over £135k had been generated. For the same period, over £152k 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 111 cases recommended for write off are summarised as follows: -

Number	Reason	Total £
7	Out of Legal Jurisdiction	11,059.92
43	Insolvent	65,049.48
21	Absconded No Trace	18,824.24
23	Recovery Exhausted	28,226.32
1	Extenuating Circumstances	4,466.62
16	Deceased	12,057.09
111	Total	139,683.67

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. Claims, where appropriate, have been submitted in the 43 cases marked as Insolvent and maybe subject to a dividend at a later date.
10. The 1 Extenuating Circumstances case relates to a debtor who has as terminal illness and limited means.
11. It has been confirmed that there are no funds available in the estates of the 16 deceased debtors.
12. The 7 Out of Legal Jurisdiction cases are in respect of 3 debtors who are now living in Scotland or Overseas.
13. 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.
14. 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.
15. 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.
16. 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.

17. In current year, the total Collectable Debt for Council Tax is circa £49.2m. As at 30th September 2019, 55.92% of the total has been collected to date, equating to the collection of over £27.5m.
18. The level of recommended write-off is very low level as a percentage of total debt raised being less than 0.3% of the total debt raised in the current year.

Business Rates

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

Number	Reason	Total £
16	Insolvent	100,420.09
1	Deceased	3,477.60
1	Absconded No Trace	3,406.27
18	Total	107,303.96

20. 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.
21. Of the 16 Insolvent cases, 3 of them relate to a Company who has entered into a Voluntary Arrangement with a total debt of around £45k. The estimated low value dividend for Creditors is 42p in the £. The remaining cases are a mix of Bankruptcy, Liquidations, Company Voluntary Arrangements and Dissolutions. Claims, where appropriate, have been submitted and maybe subject to a dividend at a later date.
22. In current year, the total Collectable Debt for Business Rates is circa. £19.44m. As at 30th September 2019, 56.89% of that total had been collected equating to the collection of over £11m.
23. The level of recommended write-off is reasonably low as a percentage of the total debt raised in the current year at 0.55%.
24. It should be noted that we administer and share Business Rates Income. In 2019/20 Pendle is a member of the 75% Pilot Pooling Agreement in Lancashire. Therefore for this year the split of Business Rates Income is Central Government (25%), Lancashire County Council (17.5%) and Lancashire Fire and Rescue Service (1.5%) with Pendle retaining 56%. 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

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

Number	Reason	Amount £
4	Absconded No Trace	1,044.79
4	Total	1,044.79

26. The 4 invoices all relate to the same debtor. These debts were referred to Legal to obtain Judgement via the Courts but the Debtor has now absconded without trace and the Legal file has been closed.
27. For the 12 month period ending 31st July 2019, almost 14,000 Sundry invoices were raised with a total value of over £6.22m. For the same period, over £5.86m was collected (94.3%)

Conclusion

28. 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. Debts that have been written off may be written back and further recovery action taken if new information is received about the debtor.

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 01/04/2019 £000	Proposed Write Offs P&R Oct 2019 £000	Estimated Closing Balance as at 31/03/2020 £000
Housing Benefits Overpayments	2,703	(44)	2,659
Council Tax	4,800	(140)	4,660
Business Rates	760	(107)	653
Sundry Debtors	331	(1)	330
Totals	7,697	292	7,405

The table above excludes the amounts that have been written off under officer delegation (i.e. amounts under £1,000) in 2019/20. These are as follows:-

Type	Amount £	No. of Cases	Average Debt £
Housing Benefit Overpayments	4,139.83	29	142.75
Council Tax	40,089.59	185	216.70
Business Rates	5,556.32	16	347.27
Sundry Debtors	3,095.67	50	61.91
Total/Average	52,881.41	280	188.86

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