



REPORT OF: REVENUES MANAGER, LIBERATA
TO: POLICY AND RESOURCES COMMITTEE
DATES: 19th MARCH 2020

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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, National Non Domestic Rate and Sundry Income.

RECOMMENDATION

The Committee is recommended to;

Write off as irrecoverable the sums of £14,328.35 in respect of Housing Benefit Overpayments, £128,435.52 in respect of Council Tax, £107,827.70 in respect of Business Rates and £6,951.85 in respect of Sundry Income.

REASONS 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 £
2	Deceased	10,467.82
1	Claimant Gone No Trace	1,081.95
2	Insolvent	2,778.58
5	Total	14,328.35

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. There are no funds in the Estates of the 2 Deceased persons and, as such, there is no prospect of recovering the overpayment.
4. The 2 Insolvent cases relate to one debtor who was subject to a Debt Relief Order and the other to a Bankruptcy Order. However, the Official Receiver has advised that there is no prospect of money being returned to creditors.
5. At the end of the third quarter for 2019/20, ending 31st December 2019, overpayments totalling over 90k had been generated. For the same period, over 128k 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 99 cases recommended for write off are summarised as follows: -

Number	Reason	Total £
16	Out of Legal Jurisdiction	18,669.96
13	Insolvent	17,731.73
43	Absconded No Trace	67,158.16
10	Recovery Exhausted	11,417.78
2	Extenuating Circumstances	2,127.24
15	Deceased	11,330.65
99	Total	128,435.52

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 absconded. 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, on occasions, allow us to identify a debtor's employment details so we can issue Attachment of Earnings Orders. All debtors are put through the system prior to the recommendation for write off.
10. Claims, where appropriate, have been submitted in the 13 cases marked as Insolvent and maybe subject to a dividend at a later date.
11. The 2 Extenuating Circumstances accounts are for the same individual. We made application to the Courts for the debtor to be Committed to Prison. However, they found that he had been on low income, with very limited means, for many years and his wife was in receipt of disability payments. As a consequence, they remitted a significant amount of debt and the period of liability predates 1st April 2013. This will now allow us to focus on recovering ongoing liability and post 31st March 2013 arrears. It should also be noted that the Debtors wife passed away 5 weeks ago.
12. It has been confirmed that there are no funds available in the estates of the 15 deceased debtors.
13. The 16 Out of Legal Jurisdiction cases are in respect of debtors who are now living in Scotland or Overseas.

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.
18. In current year, the total Collectable Debt for Council Tax is circa £49.15m. As at 28th February 2020, 94.7% of the total has been collected to date, equating to the collection of over £46.5m.
19. The level of recommended write-off is very low level as a percentage of total debt raised being less than 0.26% of the total debt raised in the current year.

Business Rates

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

Number	Reason	Total £
9	Insolvent	85,332.10
1	Recovery Exhausted	1,051.17
2	Absconded No Trace	11,956.02
3	Bona Vacantia	9,488.41
15	Total	107,827.70

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. The 9 Insolvent cases relate to 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.

23. The 3 Bona Vacantia (Ownerless Goods) cases relate to Companies who owned properties but went into Dissolution. On Dissolution, the properties vest in the Duchy of Lancaster or the Treasury Solicitor. Normally, the asset will be disclaimed or sold for full market value.
24. In current year, the total Collectable Debt for Business Rates is circa. £19.41m. As at 29th February 2020, 95.86% of that total had been collected equating to the collection of over £18.6m.
25. The level of recommended write-off is reasonably low as a percentage of the total debt raised in the current year at 0.55%.
26. 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

27. The 23 cases recommended for write off are summarised as follows: -

Number	Reason	Amount £
23	Recovery Exhausted	6,951.85
23		6,951.85

28. The 23 invoices relate to 2 different debtors. Both are either currently in detention or have been in detention. Their current whereabouts is unknown and, as such, we have exhausted the recovery process.
29. For the 12 month period ending 31st December 2020, over 14,500 Sundry invoices were raised with a total value of over 5.96m. For the same period, over 5.76m was collected (96.6%)

30. 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 01/04/19 £000	Write Offs P&R Oct 2019 £000	Proposed Write Offs P&R Mar 2020 £000	Estimated Closing Balance as at 31/03/20 £000
Council Tax	4,800	(140)	(128)	4,532
Business Rates	760	(107)	(108)	545
Housing Benefits Overpayments	1,806	(44)	(14)	1,748
Sundry Debtors	331	(1)	(6)	324
Totals				

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	6,912.04	53	130.41
Sundry Debtors	7,916.11	281	£28.17
Council Tax	76,870.44	352	£218.38
Non Domestic Rates	7,888.68	21	375.65

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