



**REPORT OF: REVENUES MANAGER, LIBERATA**

**TO: POLICY AND RESOURCES COMMITTEE**

**DATES: 18<sup>th</sup> MARCH 2021**

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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 £59,556.22 in respect of Housing Benefit Overpayments, £439,753.51 in respect of Council Tax, £75,176.84 in respect of Business Rates and £1,287.78 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 13 cases recommended for write off are summarised as follows: -

Number	Reason	Amount £
4	Deceased	23,054.95
1	Claimant Gone No Trace	1,002.18
3	Insolvent	21,901.20
5	Recovery Exhausted	13,597.89
<b>13</b>	<b>Total</b>	<b>59,556.22</b>

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 4 Deceased persons and, as such, there is no prospect of recovering the overpayment.
4. The Insolvency cases relate to 3 debtors who were subject to Individual Voluntary Arrangements (IVA). Claims have been submitted in all 3 cases and we should receive a dividend once the debtor has satisfied the terms of the arrangement.
5. Legal action has been unsuccessful in the 5 cases where our Recovery options have now been exhausted.
6. At the end of the third quarter for 2020/21, ending 31<sup>st</sup> December 2020, overpayments totalling over 276k had been generated in the current financial year. For the same period, over 312k had been recovered (this includes amounts recovered for debts created in previous years), 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 1,140 cases recommended for write off are summarised as follows: -

<b>Number</b>	<b>Reason</b>	<b>Total £</b>
5	Out of Legal Jurisdiction	4,845.68
62	Insolvent	86,682.75
1,062	Absconded No Trace	338,765.38
4	Recovery Exhausted	2,924.87
7	Deceased	6,534.83
<b>1120</b>	<b>Total</b>	<b>439,753.51</b>

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. 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.
11. Claims, where appropriate, have been submitted in the 62 cases marked as Insolvent and maybe subject to a dividend at a later date.
12. It has been confirmed that there are no funds available in the estates of the 7 deceased debtors.
13. The 5 Out of Legal Jurisdiction cases relate to 3 debtors. Two of them are living in Southern Ireland and the other one on the Isle of Wight.
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 £50.43m. As at 28<sup>th</sup> February 2021, 91.84% of the total has been collected to date, equating to the collection of over £46.3m.
19. The level of recommended write-off is relatively low as a percentage of total debt raised being less than 0.88% of the total debt raised in the current year.

### Business Rates

20. The 14 cases recommended for write off are summarised as follows: -

Number	Reason	Total £
9	Insolvent	57,596.99
3	Recovery Exhausted	9,894.93
2	Absconded No Trace	7,684.92
<b>14</b>	<b>Total</b>	<b>75,176.84</b>

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. In current year, the total Collectable Debt for Business Rates is circa. £10.8m. As at 28<sup>th</sup> February 2021, 92.43% of that total had been collected equating to the collection of £9.98m.
24. The level of recommended write-off is reasonably low as a percentage of the total debt raised in the current year at 0.7%.
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 6 cases recommended for write off are summarised as follows: -

Number	Reason	Amount £
6	Insolvent	1,287.78
6		1,287.78

27. The 6 invoices relate to 1 debtor who has entered into an Individual Voluntary Arrangement (IVA). Once the debtor has satisfied the terms of the arrangement, the Council will receive a dividend or we will be able to recover the outstanding debt if the arrangement fails.
28. For the 12 month period ending 31<sup>st</sup> December 2020, Sundry invoices were raised with a total value of around 5.6m. For the same period approximately 5.4m was collected (96.4%)

## Conclusions

29. 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.

<b>Debt Type</b>	<b>Opening Balance as at 1/04/20 £000</b>	<b>Proposed Write Offs March 2021 £000</b>	<b>Estimated Closing Balance 31/03/21 £000</b>
Council Tax	5,450	(440)	5,010
Business Rates	560	(75)	485
Housing Benefit Overpayments	2,564	(60)	2,504
Sundry Debtors	383	(1)	382
<b>Total</b>	<b>8,957</b>	<b>(576)</b>	<b>8,381</b>

In addition to the above debts, and within delegated authority, the Council's Chief Executive (as the Chief Finance Officer) has agreed to the write of sundry debts totaling £940.

**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