



REPORT OF: REVENUES MANAGER, LIBERATA
TO: POLICY AND RESOURCES COMMITTEE
DATES: 14th OCTOBER, 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 and National Non Domestic Rates.

RECOMMENDATION

It is recommended that the sums of £35,220.06 in respect of Housing Benefit Overpayments, £224,354.09 in respect of Council Tax and £5,709.97 in respect of Business Rates be written off as irrecoverable.

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

Number	Reason	Amount £
8	Legal Action Failed	18,340.26
2	Claimant Gone No Trace	4,622.62
2	Insolvent	4,683.60

3	Deceased	7,573.58
15	Total	35,220.06

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 is actively pursued.
3. There are no funds in the Estates of the 3 Deceased persons and there is no prospect of recovering the overpayment.
4. Action via the Council's Legal team has been unsuccessful in 8 cases and, as such, the Recovery process has been exhausted.
5. Attempts to trace the 2 debtors who have absconded have also been unsuccessful.
6. The 2 Insolvent cases relates to one debtor who is subject to a Debt Relief Order. The other debtor has an Individual Voluntary Arrangement, which, if honoured, will result in a dividend once the terms of the arrangement have been satisfied.
7. At the end of the first quarter for 2021/22, ending 30th June 2021, overpayments totalling over 112k had been generated in the current financial year. For the same period, over 145k 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. All available recovery methods are now being utilised after several methods were paused during the last financial year due to Covid. The debt outstanding includes overpayments raised that are in the process of being recovered or are in the recovery process.
8. 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

9. The 185 cases recommended for write off are summarised as follows: -

Number	Reason	Total £
15	Insolvent	17,393.96
170	Absconded No Trace	206,960.13
185	Total	224,354.09

10. 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.
11. Claims, where appropriate, have been submitted in the 15 cases detailed as Insolvent and maybe subject to a dividend at a later date.
12. 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 Attachments of Earnings notifications. All debtors are put through the system prior to the recommendation for write-off.
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. Since 1st April 2021, a total of £12,749.40, in debt previously written off, has been written back on.
17. In current year, the total Collectable Debt for Council Tax is circa £53.3m. As at 31st August 2021, 46.2% of the total had been collected, equating to the collection of over £24.6m.

18. The level of recommended write-off is very low level as a percentage of the total debt raised in year, being 0.42%.

Business Rates

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

Number	Reason	Total £
6	Insolvent	1,864.18
7	Recovery Exhausted	2,650.61
2	Absconded	1,195.18
15	Total	5,709.97

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. In current year, the total Collectable Debt for Business Rates is circa. £15.8m. As at 31st August 2021, 47% of that total had been collected equating to the collection of over £7.4m.
22. The level of recommended write-off is very low as a percentage of the total debt raised in the current year at less than 0.04%.

23. 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 01/04/2021 £000	Proposed Write Offs P&R Oct 2021 £000	Balance as at 30/09/2021 £000
Council Tax	6,150	(224)	5,926
Business Rates	770	(6)	764
Housing Benefit Overpayments	2,371	(35)	2,336
Totals	9,291	(340)	9,026

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