

Report of the Head of Finance

IRRECOVERABLE NON-DOMESTIC RATES, COUNCIL TAX, HOUSING BENEFIT OVERPAYMENTS AND SUNDRY DEBTS**1 Purpose of Report**

To request approval for the write off of irrecoverable debts.

2 Executive Summary

This report shows the amount of debt written off under delegation by the council's S151 officer. She has the authority to write off debts up to £2,000.

Debts above this level can be written off by Resources Committee under the delegated powers from council. This report also asks for the committee to consider the write off of those debts over £2,000 that are now considered irrecoverable shown in Appendices A and B.

The total amount for each of these is shown below.

Non-domestic rate cases	£9,825.04
Council tax cases	£24,358.60

3 Appendices

Appendix A	Non-domestic rate cases
Appendix B	Council tax cases
Appendix C	Summary of processes

4 Proposed Action:

4.1 The Committee is invited to RESOLVE to write-off of £34,183.64 of irrecoverable non-domestic rates and council tax.

4.2 The Committee is also invited to RESOLVE to note that an amount of £29,431.19 has been written off under the delegated powers of the Section 151 Officer.

5 Background

5.1 There are periodical reviews of outstanding debts for non-domestic rates, council tax, sundry debts and housing benefit overpayments and sums deemed to be uncollectable following review are recommended for write-off.

5.2 A provision for bad debt is created to deal with these write offs and this is built into the expected collection rate and estimates of total income for the year.

The amount of debt written off is the total amount due to all parties, this council, the county council, the police and central government. Thus the total amount for the borough council is only our share of that debt, for example on council tax this is approx. 10% and non-domestic rates this is approx. 40%, and not the total amount of money that is written off.

6 Discussion

- 6.1 The section 151 officer has reviewed the amounts stated and written off those she can under delegated powers in accordance with financial regulations. Sums of £2,000 or over have to be passed to this committee for consideration.
- 6.2 All appropriate action has been taken to try and recovery the monies due. Debts have been thoroughly pursued including using legal action in the magistrates' or county court. Where appropriate, visits have been carried out by council officers and specialist tracing/collection agencies. In all cases the debts were deemed to be irrecoverable.
- 6.3 In the circumstances where any debts have been written off against the provision for bad debts and the whereabouts of the individual are subsequently discovered, action will still be taken to recover the debt. Should successful recovery be achieved, this would be written back against the provision in accordance with best accountancy practice. A summary of the process is detailed at appendix C.
- 6.4 Appendix C also sets out some statistics on the levels of write offs as percentages of the total debts raised and the collection rates for both council tax and business rates, which are in the upper quartile for billing authorities.
- 6.5 Some of these debts have now reached the end of the recovery process, resulting in a short prison sentence for the debtor. There is no further recovery action that can be taken on these debts and so prudent debt management results in the request for permanent write off, with no option of writing these debts back on in the future.
- 6.6 Following the most recent review of outstanding debts a total amount of £29,431.19 has been deemed as irrecoverable and written off under delegated powers as follows:

TYPE OF DEBT	NUMBER OF ACCOUNTS	AMOUNT
Council tax	50	£19,687.60
Sundry debts	2	£1,900.80
Housing benefit overpayments	34	£7,842.79

- 6.7 A further £34,183.64 is recommended for write off as detailed in appendices A and B.

7 Legal Powers

7.1 Section 151 of the Local Government Act 1972 requires that local authorities make arrangements for the proper administration of their financial affairs. Part of these arrangements includes arrangements for the writing-off of debts.

7.2 Section 101 of the Local Government Act 1972 permits the council to delegate certain powers, duties and functions to committees. All debts of under £2,000 can be written off at the discretion of the section 151 Officer. The power to write-off debts of £2,000 and over is delegated to this committee.

8 Financial and Value for Money Implications

There are no direct revenue implications as adequate provision has been made within the accounts for bad debts.

9 Risk Analysis

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
None			

10 Implications for Resources

None

11 Implications for Stronger and Safer Communities

None

12 Implications for Equalities

None

13 Author and Contact Officer

Richard Watson, Senior Revenue Officer

14 Consultees

Nigel Robinson, Principal Revenue and Benefits Manager

15 Background Papers

List of cases written off under delegated powers

Appendix A

Non-domestic rate cases with a balance outstanding of over £2,000 where the sum is deemed to be irrecoverable

Name	Amount	Dates	Reason
Mr S	£9,825.04	2015/16	Individual voluntary arrangement
TOTAL	£9,825.04		

Appendix B

Council tax cases with a balance outstanding of over £2,000 where the sum is deemed to be irrecoverable

Name	Amount	Dates	Reason
Mr R	£2,703.99	2015/16	Deceased and estate has no funds
Ms S	£3,000.00	2004/10	Remitted by Wellingborough Magistrates' Court
Mr T	£7,342.79	2004/09	Sentenced at Wellingborough Magistrates' Court to 90 days' imprisonment which have now been served
Mr P	£6,043.80	2009/12	Sentenced at Wellingborough Magistrates' Court to 90 days' imprisonment which have now been served
Mr P	£2,516.77	2009/12	Sentenced at Wellingborough Magistrates' Court to 90 days' imprisonment which have now been served
Mr L	£2,751.25	2006/08	Sentenced at Wellingborough Magistrates' Court to 85 days' imprisonment which have now been served
TOTAL	£24,358.60		

Appendix C

Summary of Processes

Sums are deemed uncollectable for a variety of reasons. The main ones are:

- **Uneconomic to collect:** This is where it would cost more to recover the sum than the balance itself.
- **Insolvency / bankruptcy etc:** Where legal action has been taken to wind up a company or make an individual bankrupt by a third party, we lodge a proof of debt to secure the balance outstanding. If there is no potential of a dividend, the balance is considered uncollectable.
- **Forwarding address not known:** If a customer disappears from their property there are a number of steps the team takes to trace them. We can visit the property, check with neighbours, check with Land Registry or letting agents, check online applications, check credit applications, use specialist tracing companies as well as using all internal resources. If these checks are unsuccessful, the debt remains on the account and the same searches are carried out a number of times over the next 18 months. Should the customer still not be traced, consideration is given again as to whether to class the debt as uncollectable. If, for example, the customer has family ties to the area, the debt would not be considered for write off as there is a reasonable chance they may return.
- **Amount remitted at court:** Magistrates have the discretion to remit sums if they feel the person has not shown wilful refusal or culpable neglect when it comes to paying their balances. This is not usual practice however and is only used in exceptional circumstances.
- **Prison sentence served:** If a customer has been given a prison sentence for non-payment and has served the number of days, no further action can legally be taken to recover the sum.

Sums Recovered Previously Classed as Uncollectable

If a debt is consequently paid after it has been classed as uncollectable and written off, the process for write off is reversed and it is “written back on”. This happens usually if a payment is made from assets recovered by an insolvency practitioner or a liquidator acting on behalf of a closed company.

Amounts are also written back on once a previously missing customer is traced and action commences again to recover the sum.

Funding for Amounts Written Off

On council tax, the Borough Council funds just over 10% of the cost of the write offs.

On non-domestic rates, the Borough Council funds 40% of the costs.

Amounts to fund the sums written off come from the Borough Council's provision for bad debt. Internal and external audit reports recommend reviewing irrecoverable debts and writing them off in a prudent and timely manner. Our policy complies with these recommendations.

Previous Write Offs

These are amounts written off in 2015/16.

For council tax the total debit was	£33,159,089
Written off was 0.6%	£202,795
Sums recovered previously classed as uncollectable	£2,229
For business rates the total debit was	£29,884,196
Written off was 0.15%	£44,882
Sums recovered previously classed as uncollectable	£23,150
For housing benefit overpayments average amount outstanding was	£1,089,000
Written off was 1.5%	£16,402
Sums recovered previously classed as uncollectable	£2,257
For sundry debt the amount outstanding averaged	£596,000
Written off was 5.2%	£30,857
Sums recovered previously classed as uncollectable	£150

The percentage of write offs in sundry debt is higher as a number of the amounts were for recession support payments paid to avoid eviction for customers. These type of debts are harder to recover and as such result in a higher percentage of the debts becoming irrecoverable.

Collection Rates

Council tax and non-domestic rate collection rates are reported as part of our monthly performance figures.

For council tax in 2015/16 we collected 98.0%

For non-domestic rates in 2015/16 we collected 99.4%
(This collection rate for non-domestic rates is in the top 30 billing authorities in the country).

In addition to this, a significant amount of debt from previous years was also collected and of the remaining balances from 2015/16, a large percentage will be recovered.