



Finance Sub-Committee 26 June 2017

Report on Debt Write Offs and Outstanding Debt at 31 March 2017

Purpose of report

To set out to Finance Sub Committee the amount of debt that has been written off during the financial year 2016/17 and to provide an analysis of outstanding debt at 31 March 2017.

1.0 Introduction

- 1.1 In accordance with the Council's Constitution, the Financial Procedure Rules require that all debt write offs should be reported to Policy and Resources Committee as part of the regular financial reporting process. Finance Sub Committee has also requested additional information on outstanding debts. Therefore, this report has been prepared to respond to both requirements and be reported to both Committees for review.
- 1.2 Customers, residents and businesses within the district have a responsibility to pay for the services they receive and the charges and rents they are liable for. It is essential that all monies due are collected effectively by the Council.
- 1.3 It is recognised, however, that a small proportion of the Council's overall income may not be collectable due to matters outside its control. Where a debt is assessed to be irrecoverable it is subject to a write-off process that is consistent with recognised accounting practices. The Council has sought to minimise the cost of write-offs by taking all appropriate action to recover what is due.

2.0 Debts written off

- 2.1 As a result of the time elapsing between an invoice being issued and any decision taken to write off amounts due, the sums written off do not directly relate to the amounts billed during the year. Furthermore, the decision to write off debt is always a last resort after all other methods of collecting the debt have been exhausted.
- 2.2 As mentioned at paragraph 1.1 above, the Financial Procedure Rules require a report to be produced for Policy and Resources Committee as part of the regular financial reporting process. It also sets out the following authorisation limits for writing off debt:

Type of Debt	Revenues Manager or Benefits Manager	Any Member of the Corporate Management Team	Chief Finance Officer or Deputy S151 Officer	Relevant Committee
Business Rates/National Non Domestic Rates	Up to £100	Up to £1,500	Up to £25,000	Above £25,000
All other debts (including Council Tax & Housing Benefit)	Up to £100	Up to £1,500	Up to £25,000	Above £25,000

2.3 A summary of write-offs for 2016/17 is shown in the table below:

Debt Type	Total Collected £	Total Write-Off £	% of Total Collected
Council Tax	47,945,953	158,826	0.3%
Non Domestic Rates	26,551,185	87,245	0.3%
Housing Benefit Overpayments	641,451	55,635	8.7%
Sundry Debtors	3,378,968	1,794	0.1%
TOTAL	78,517,557	303,500	0.4%

2.4 A list of typical considerations leading to debt being written off is provided at Appendix 1.

2.5 The percentage of the total debt written off (0.4%) is comparatively low and demonstrates that every action is taken to recover debt owed to the Council prior to any decision to write off debt.

2.6 Whilst housing benefit overpayment shows a higher percentage being written off in comparison to other types of debt, it should be noted that this has improved since 2015/16 when it was reported as 11.6%. Also, when considering that the council pays housing benefits in excess of £20m, the amount being written off in comparison to this is only around 0.2%.

3.0 Write-Off over £25,000 requiring Committee Approval

3.1 All write-offs have been processed within the delegated authorities as set out in section 2.2 of this report. However, in accordance with the Financial Procedure Rules where a debt is in excess of £25k, it requires consideration and approval by the Committee.

3.2 There were no requests for write of in excess of £25k during 2016/17.

4.0 Outstanding Debts

4.1 Members previously requested further analysis on outstanding debt. This section breaks down each area of debt by year and provides some information on the stages of recovery and other relevant information or issues.

Council Tax

4.2 This table shows the level of outstanding arrears in relation to council tax:

Year	Number of accounts in arrears	Total value of arrears outstanding	Number of accounts on payment plans	Value on payment plans	Number of accounts not on payment plans	Value not on payment plans
2004/2005	1	£ 440.74	0	£ 440.74	1	£ -
2005/2006	4	£ 284.19	1	£ 238.33	3	£ 45.86
2006/2007	7	£ 1,525.87	2	£ 511.08	5	£ 1,014.79
2007/2008	10	£ 4,252.33	4	£ 1,280.45	6	£ 2,971.88
2008/2009	14	£ 5,670.21	3	£ 1,455.11	11	£ 4,215.10
2009/2010	27	£ 11,704.32	2	£ 622.97	25	£ 11,081.35
2010/2011	59	£ 23,761.73	10	£ 5,011.44	49	£ 18,750.29
2011/2012	96	£ 35,066.28	8	£ 6,226.79	88	£ 28,864.78
2012/2013	180	£ 65,559.10	15	£ 10,577.90	165	£ 54,981.20
2013/2014	400	£ 119,152.08	38	£ 19,653.05	362	£ 99,499.03
2014/2015	576	£ 180,044.96	96	£ 34,372.45	480	£ 145,672.51

2015/2016	1124	£ 338,183.73	194	£ 57,113.03	931	£ 281,070.70
2016/2017	2714	£ 801,605.99	543	£ 159,469.73	2171	£ 642,136.26
	5212	£ 1,587,251.53	916	£ 296,973.07	4297	£ 1,290,303.75

4.3 For council tax, there is around £297k (19%) of the outstanding debt where payment is being recovered through various arrangements agreed at various stages of the recovery process. These will include repayment plans, attachment to earnings or attachments to benefit payments.

4.4 The remaining amount can be split as follows:

- Amount where enforcement action is in progress totalling £1,143k (72%):
 - Summons or liability order issued £195k (12.3%)
 - After summons issued and attended court £114k (7.2%)
 - Value with enforcement agents £625k (39.4%)
 - Committal summons or warrant of arrest issued but not attended court £127k (8%)
 - Potential committal to prison £64k (4%)
 - Sentenced to prison £18k (1.1%)
- Amount not at enforcement stage yet which may be due a Council Tax Support adjustment recently being made to the account following the customer failing to notify the council of a change in circumstances or where the debt is quite small and is less than the cost of a summons £148k (9%).

Non Domestic Rates

4.5 Business rates arrears total just over £533k. These are broken down by year in the table below:

Year	Number of accounts in arrears	Total value of arrears outstanding	Number of accounts on payment plans	Value on payment plans	Number of accounts not on payment plans	Value not on payment plans
1999/2000	1	£ 4,620.50	1	£ 4,620.50	0	£ -
2006/2007	1	£ 680.81	1	£ 680.81	0	£ -
2007/2008	1	£ 40.50	1	£ 40.50	0	£ -
2008/2009	4	£ 6,848.58	4	£ 6,848.58	0	£ -
2009/2010	1	£ 541.15	1	£ 541.15	0	£ -
2010/2011	2	£ 1,777.03	2	£ 1,777.03	0	£ -
2011/2012	9	£ 8,224.68	5	£ 8,204.68	1	£ 20.00
2012/2013	6	£ 7,232.21	8	£ 6,244.68	1	£ 987.53
2013/2014	9	£ 29,340.37	3	£ 6,914.76	6	£ 22,425.61
2014/2015	10	£ 39,360.97	1	£ 6,856.11	9	£ 32,504.86
2015/2016	26	£ 58,802.21	4	£ 8,908.13	22	£ 49,894.08
2016/2017	100	£ 376,040.37	7	£ 9,087.70	93	£ 366,952.67
	170	£ 533,509.38	38	£ 60,724.63	132	£ 472,784.75

4.6 There are payment plans in place for £61k (around 11%) of the total. This includes around £41k where failure to pay will impose a prison sentence. The remaining amount can be split as follows:

- Amount where reminders have been sent or are immediately due which has arisen due to rateable value changes or recent notification of billing - £253k (47%)
- Amount where enforcement action is being taken such as recovery action or court summons issued £20k (4%)

- Amount where enforcement action has concluded £136k (26%) and no further action can be taken. Around £102k of this relates to one account only. This will be part of the review of the debt process carried out by Governance and Audit Committee as set out in paragraph 4.10 below.
- Amount assumed for write off £37k (7%)
- Amount with enforcement agent £26k (5%)

Housing Benefit Overpayments

4.7 The following table shows the amount of outstanding debt in relation to housing benefit overpayments by year:

	Number of invoices with a balance outstanding	Value of invoices with a balance outstanding	Number of invoices on payment plans	Value of invoices on payment plans	Number of invoices not on payment plans	Value of invoices not on payment plans
Pre-2000	7	£ 14,599.42	1	£ 8,460.00	6	£ 6,139.42
2000/01	3	£ 10,694.61	1	£ 9,082.37	2	£ 1,612.24
2001/02	7	£ 15,038.85	2	£ 9,357.59	5	£ 5,681.26
2002/03	7	£ 3,141.19	0	£ -	7	£ 3,141.19
2003/04	2	£ 2,130.04	1	£ 1,804.56	1	£ 325.48
2004/05	10	£ 6,489.33	3	£ 6,266.33	7	£ 10,223.00
2005/06	8	£ 39,230.62	1	£ 828.35	7	£ 38,402.27
2006/07	7	£ 9,500.49	0	£ -	7	£ 9,500.49
2007/08	13	£ 14,990.38	5	£ 8,933.07	8	£ 6,057.31
2008/09	21	£ 45,020.35	3	£ 1,021.56	18	£ 43,998.79
2009/10	28	£ 40,963.50	4	£ 23,483.47	24	£ 17,480.03
2010/11	42	£ 52,950.02	10	£ 24,590.75	32	£ 28,359.27
2011/12	102	£101,000.25	23	£ 44,025.14	79	£ 56,975.11
2012/13	106	£105,031.37	22	£ 41,723.71	84	£ 63,307.66
2013/14	161	£180,109.01	37	£ 90,279.17	124	£ 89,829.84
2014/15	311	£221,773.25	86	£ 70,336.29	225	£151,436.96
2015/16	378	£218,669.42	102	£ 86,327.22	276	£132,342.20
2016/17	695	£380,680.88	220	£ 150,003.19	475	£230,677.69
	1,908	£1,472,012.98	521	£ 576,522.77	1,387	£895,490.21

4.8 The value of invoices raised for recovery of housing benefit overpayments during this time was £8.7m. The amount of outstanding debt in the table above equates to around 7% of this amount. There is around 1/3rd of outstanding debt where payment plans are in place to recover the monies. There are various reasons which make recovery of housing benefit debt more difficult such as:

- The customer may be having deductions already taken from their DWP benefit for other priority debts (housing benefit is not a priority debt and is lower on the list).
- No forwarding address – difficulty in tracing customers
- Trying to establish employers' details to enable an attachment to earnings to take place
- Customers ignoring letters or failing to engage with the council
- Customers no longer receiving housing benefits and therefore unable to take deductions from their ongoing award.

4.9 Another issue for councils is the limit on the amount that can currently be recovered from ongoing housing benefit. There is a risk that this could become more difficult when claimants move to Universal Credit as the council will be unable to attach a recovery payment to their

housing benefit entitlement. This risk has been incorporated into the risk register.

- 4.10 Officers seek to try other new methods of recovery of debt where possible and are currently trialling the LoCTA search facility, which provides an auditable link to HMRC employer information and will make obtaining an attachment of earnings more effective to secure payment.
- 4.11 It should be noted that DWP recommends that 70% of housing benefit overpayments are recovered within 3 years of the debt being raised. As at 31 March 2017 the council was achieving 73.25%.

Sundry Debtors

- 4.12 The amount of debt outstanding in relation to sundry debtors at 31 March 2017 is £10.7k. This is broken down by years as below:

	Outstanding Debt Amount
2008/09	£ 200.00
2009/10	£ 150.00
2012/13	£ 2,386.81
2013/14	£ 2,500.00
2014/15	£ 1,944.80
2015/16	£ 1,804.61
2016/17	£ 1,746.83
	£ 10,733.05

- 4.13 There are payment plans in place for £3.7k (34%) and £0.8k (8%) of the debt has since been paid in full. The remaining amounts all have actions in place including:

- Applying for land charge against property - £0.3k (3%)
- Referring to debt collection agency - £3.1k (29%)
- Referring for legal advice - £2.5k (23%)
- Seeking to write off debt - £0.3k (3%)

- 4.14 There is in total around £3.6m of outstanding debt as detailed above. At the meeting of Finance Sub Committee of 5 April, it was recommended that a review of the debt process should be carried out by Governance and Audit Committee. The scope of this review is yet to be agreed. However, it is anticipated it will cover the following:

- Comparison to other local authorities debt position in terms out outstanding debt and debt recovery
- Identifying gaps in the debt recovery process
- Recommendations to improve efficiency in the process so that payment is recovered more expediently

5.0 Equality and Diversity Implications

- 5.1 There are no direct equalities impacts arising from this report.

6.0 Legal Implications

- 6.1 There are no legal implications arising from this report.

7.0 Risk Management

- 7.1 All write-offs are carried out in accordance with the relevant provisions contained within the Council's Constitution and Financial Procedure Rules.

8.0 Resource and Financial Implications

- 8.1 This report details a total of written-off debt that should be viewed in the context of the overall value of income collected and, in terms of Housing Benefit, expenditure paid out i.e. the percentage of debt written off, at 0.4%, is low in comparison to the sums concerned.
- 8.2 The write-off process is part of the Council's recognised accounting practices and ensures that debt recovery projections are realistic and that write-offs are fully provided for each financial year where possible.

9.0 Constitutional Implications

- 9.1 The report does not require any amendment to the Council's Constitution.

10.0 Customer Service Implications

- 10.1 There are no customer service implications arising from the report.

11.0 Corporate Outcomes

- 11.1 This report links to the following Corporate Outcome – Effective Management

(Seeking to secure efficient, cost effective management of resources for the Council)

12.0 Recommendation

- 12.1 Finance Sub Committee is asked to:

1) Note the position of debts written off for financial year 2016/17 and the latest information on outstanding debts at 31 March 2017.

(Reason: To meet requirements as set out in section 5.46 of the Council's Financial Procedure Rules (Part 4.3 of the Constitution)

2) Note that a review of the debt process will be carried out by Governance and Audit Committee as set out at paragraph 4.14

(Reason: To respond to recommendation by Finance Sub Committee at the last meeting held on 5 April 2017)

Legal	Power: Local Government Act 1972				
	Other considerations:				
Background Papers:					
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Date: 09/06/17					
CFO		MO		CX	

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