



Finance and Performance Sub-Committee 25 June 2018

Report on Debt Write Offs and Outstanding Debt at 31 March 2018

Purpose of report

To set out to Finance and Performance Sub-Committee the amount of debt that has been written off during the financial year 2017/18 and to provide an analysis of outstanding debt at 31 March 2018.

Attachment: Appendix 1 - Reasons for recommending write-off of debt.

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 previously requested additional information on outstanding debts. Therefore, this report is prepared to respond to both requirements and is reported to both Committees for their 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 2017/18 is shown in the table below:

Debt Type	Total Collected £	Total Write-Off £	% of Total Collected
Council Tax	50,897,575	166,907	0.3%
Non Domestic Rates	30,438,394	59,232	0.2%
Housing Benefit Overpayments	614,278	63,059	10.3%
Sundry Debtors	4,651,805	1,593	0.03%
TOTAL	86,602,502	290,791	0.34%

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 (0.34%) 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. It should also be noted in comparison to the amount written off during the previous year which was 0.39%.

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 the council pays housing benefits in excess of £18m per year, the amount being written off in comparison to this is only around 0.3%.

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 2017/18.

4.0 Outstanding Debts

4.1 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
2006/2007	3	£602.64	1	£145.75	2	£456.89
2007/2008	8	£2,014.01	2	£429.29	6	£1,584.72
2008/2009	7	£2,353.94	2	£369.67	5	£1,984.27
2009/2010	15	£5,431.12	3	£883.32	12	£4,547.80
2010/2011	29	£12,377.75	7	£1,686.50	22	£10,691.25
2011/2012	49	£17,678.26	5	£2,492.47	44	£15,185.79
2012/2013	97	£39,719.33	8	£3,583.98	89	£36,135.35
2013/2014	224	£85,225.50	29	£6,462.55	195	£78,762.95
2014/2015	378	£125,767.51	45	£8,787.73	333	£116,979.78
2015/2016	649	£215,286.62	79	£15,308.58	570	£199,978.04
2016/2017	1144	£387,509.29	197	£37,615.99	947	£349,893.30
2017/2018	2969	£985,051.58	528	£194,377.20	2441	£790,674.38
	5572	£1,879,017.55	906	£272,143.03	4666	£1,606,874.52

4.3 For 2017/18 the arrears outstanding equate to 1.9% of the total council tax for the year

4.4 For council tax, there is around £272k (14%) 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 deductions from benefit payments.

4.5 The remaining amount can be split as follows:

- Amount where enforcement action is in progress totalling £1,461k (78%):
 - Summons or liability order issued £192k (10.2%)
 - After summons issued and attended court £237k (12.6%)
 - Value with enforcement agents £819k (43.6%)
 - Committal summons or warrant of arrest issued but not attended court £93k (5%)
 - Potential committal to prison £111k (6%)
 - Sentenced to prison £9k (0.5%)
- 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 £146k (8%).

Non Domestic Rates

4.6 Business rates arrears total just over £1m 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	£3,420.50	1	£3,420.50	0	0
2006/2007	1	£440.18	1	£440.81	0	0
2008/2009	4	£6,669.08	4	£6,669.08	0	0
2009/2010	1	£301.15	1	£301.15	0	0
2010/2011	2	£1,095.70	2	£1,095.70	0	0
2011/2012	3	£6,295.24	2	£5,325.37	1	£969.87
2012/2013	5	£5,561.28	1	£441.25	4	£5,120.03
2013/2014	7	£25,317.80	4	£5,449.71	3	£19,868.09
2014/2015	7	£30,344.26	2	£1,645.13	5	£28,699.13
2015/2016	30	£50,243.58	3	£4,265.68	27	£45,977.90
2016/2017	64	£246,590.05	3	£9,268.95	61	£237,321.10
2017/2018	175	£649,168.07	4	£15,897.04	171	£633,271.03
	300	£1,025,447.52	28	£54,188.67	272	£472,784.75

4.7 The arrears for 2017/18 equates to 2.1% of the total NNDR for the year

4.8 There are payment plans in place for £54k (around 5%) 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 £578k (56%)
- Amount where enforcement action is being taken such as recovery action or court

summons issued £343k (34%)

- Amount assumed for write off due to bankruptcy/gone away £32k (3%)
- Amount with enforcement agent £17k (2%)

4.9 It is worth noting that around £334k of the amount outstanding is due to 12 businesses at the Rushden Lakes development being billed during February 2018 following a 6 month delay in the Valuation Office Agency rating the properties. Also, around £207k is for one business that is currently party to a national appeal pending with the Valuation Office Agency. The likely outcome of this appeal is that the one assessment currently in place for the property will be split into 1498 units and Small Business Rates Relief will apply.

Housing Benefit Overpayments

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

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 <u>not</u> on payment plans	Value of invoices <u>not</u> on payment plans
Pre-2000	3	£12,095.89	3	£12,030.00	2	£65.89
2000/01	3	£9,926.61	1	£8,314.37	2	£1,612.24
2001/02	4	£6,701.74	0	0.00	4	£6,701.74
2002/03	4	£2,863.05	1	£2,283.17	3	£579.88
2003/04	2	£1,900.04	1	£1,574.56	1	£325.48
2004/05	6	£15,325.37	4	£14,440.25	2	£885.12
2005/06	5	£38,543.32	2	£718.65	3	£37,824.67
2006/07	7	£9,040.69	2	£1,188.51	5	£7,852.18
2007/08	10	£11,025.25	3	£477.05	7	£10,548.20
2008/09	11	£42,826.21	3	£1,532.07	8	£41,294.14
2009/10	18	£33,529.72	4	£22,633.22	14	£10,896.50
2010/11	21	£42,092.31	7	£20,561.06	14	£21,531.25
2011/12	51	£87,140.42	18	£33,445.93	33	£53,694.49
2012/13	66	£87,797.41	18	£45,656.83	48	£42,140.58
2013/14	91	£149,878.22	30	£101,151.24	61	£48,726.98
2014/15	157	£170,627.14	60	£84,701.49	97	£85,925.65
2015/16	168	£160,832.39	63	£94,117.57	105	£66,714.82
2016/17	210	£275,694.96	75	£135,891.68	135	£139,803.28
2017/18	415	£231,177.63	188	£104,481.56	227	£126,696.07
	1252	£1,389,018.37	483	£685,199.21	769	£703,819.16

4.11 The value of invoices raised for recovery of housing benefit overpayments during this time was £9.3m. The amount of outstanding debt in the table above equates to around 15% of this amount. There is around 50% 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.

- 4.12 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.
- 4.13 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 2018 the council was achieving 79%.

Sundry Debtors

- 4.14 The amount of debt outstanding in relation to sundry debtors at 31 March 2018 is £16.859k. This is broken down by years as below:

	Outstanding Debt Amount
2012/13	£1,790.34
2013/14	£2,500.00
2014/15	£1,638.40
2015/16	£660.81
2016/17	£4,465.91
2017/18	£5,795.70
	£16,851.16

- 4.15 There are payment plans in place for £4.1k (24%) and £0.4k (2%) of the debt has since been paid in full. The remaining amounts all have actions in place including:
- Applying for land charge against property - £1.5k (9%)
 - Referring for legal advice - £6.3k (38%)
 - In dispute - £4.2k (25%)
 - Seeking to write off debt - £0.3k (2%)
- 4.16 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 key findings of this report are:

Internal Audit Reports

- 4.16.1 During 2016/17, as a part of their cyclical audit work Welland Internal Audit Consortium carried out an audit on Local Taxation for which 'Substantial Assurance' was received.
- 4.16.2 The audit testing concluded that key controls operating in relation to calculation of liabilities, billing, recovery and enforcement, income collection and refunds are robust operating effectively in practice. Testing of a sample of cases in arrears confirmed that relevant recovery stages had been consistently applied in an accurate and timely manner.
- 4.16.3 During 2017/18 a consultancy review of the debt process was carried out by Welland / Consortium on behalf of Governance and Audit Committee. This was intended to compliment the cyclical audit work and proactively identify any further opportunities for improvement across all debt recovery areas.
- 4.16.4 Benchmarking of the Council's debt recovery rates with those of a sample of other district councils identified several areas of best practice at ENC, particularly with regards to the level of outstanding debts. Statistical analysis of the Ministry of Housing, Communities and Local Government live tables also identified that the Council's collection rates exceeded the national average during 2016/17.

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 and Performance Sub-Committee is asked to:

- 1) Note the position of debts written off for financial year 2017/18 and the latest information on outstanding debts at 31 March 2018.

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

Legal	Power: Local Government Act 1972				
	Other considerations:				
Background Papers:					
Person Originating Report: Sandie Williams, Finance Manager swilliams@east-northamptonshire.gov.uk					
Date: 11/06/18					
CFO		MO		CX	

(Committee Report Normal Rev. 22)

Reasons for recommending write-off of debt

1	Collection Agent Report	No available funds or assets to attach
2	Inhibition Registered	Debtor prevented from free disposal of assets, full recovery probable on asset realisation
3	Charging Order	Deferred payment of statutory repairs or residential care fees as charges recorded on debtor's property
4	Unemployed	No Attachable Assets, uneconomic to proceed
5	Legal Services advice	Debt unenforceable in court
6	Legal Services advice	Debt prescribed/time barred to pursue
7	Property repossessed	Shortfall in funds
8	Debt Unenforceable	Statutory Notice not served on Property/Owner
9	Irrevocable Mandate Held	No free funds on sale
10	In prison	Debts not enforceable
11	Full and Final Settlement	Balance irrecoverable
12	Trust Deed	Debtor has multiple debts and affairs now handled by Trustee, dividend expected
13	Absconded/No Trace	All reasonable attempts to find the debtor have failed.
14	Deceased	Insufficient or no funds in the Deceased's estate to pay the amount outstanding.
15	Uneconomical to pursue / pursue further	When all recovery processes have been tried or considered or the cost of proceeding would be prohibitive.
16	Liquidation / Administration	Suitable claim has been made