



**Finance and Performance
Sub-Committee
8th July 2019**

**Report on Debt Write Offs and Outstanding
Debt at 31 March 2019**

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 2018/19 and to provide an analysis of outstanding debt at 31 March 2019.

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 the Policy and Resources Committee as part of the regular financial reporting process. The Finance and Performance 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	Revenue & 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 2018/19 is shown in the table below:

Debt Type	Total Collected £	Total Write-Off £	% of Total Collected
Council Tax	54,926,075	166,907	0.3%
Non Domestic Rates	33,797,096	59,232	0.2%
Housing Benefit Overpayments	483,130	61,739	12.8%
Sundry Debtors	3,615,082	199	0.0%
TOTAL	92,821,383	288,077	0.3%

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 (0.31%) is comparatively low as compared to other local authorities, 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 that this figure has fallen in comparison to the amount written off during the previous financial year, which was 0.34%.

2.6 Whilst housing benefit overpayment shows a higher percentage of debt being written off in comparison to other types of debt, it should be noted that the council pays housing benefits in excess of £16m per year. The amount written off in comparison to the total housing benefits paid is only around 0.4%.

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 One business rates write off request exceeding £25k was approved by the Policy & Resources Committee during 2018/19.

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 <u>not</u> on payment plans	Value <u>not</u> on payment plans
2006/2007	2	£197	2	£197	0	£0
2007/2008	2	£844	1	£219	1	£625
2008/2009	3	£842	1	£146	2	£696
2009/2010	5	£1,985	4	£1,881	1	£104
2010/2011	16	£5,962	5	£2,046	11	£3,916
2011/2012	23	£9,912	4	£2,404	19	£7,508
2012/2013	60	£25,524	22	£9,170	38	£16,354
2013/2014	155	£56,930	28	£7,755	127	£49,175
2014/2015	218	£85,518	31	£12,581	187	£72,937
2015/2016	371	£147,074	60	£24,751	311	£122,323
2016/2017	579	£257,679	95	£29,037	484	£228,642
2017/2018	1101	£461,249	203	£52,715	898	£408,534
2018/2019	3202	£1,234,368	556	£216,807	2646	£1,017,561
	5737	£2,288,084	1012	£359,709	4725	£1,928,375

4.3 For 2018/19 the arrears outstanding equate to 2.2% of the total council tax for the year.

4.4 For council tax, there is around £360k (16%) of the outstanding debt where payment is being recovered through various arrangements agreed at various stages of the recovery process. These include repayment plans, attachment to earnings and deductions from benefit payments.

A full breakdown of the outstanding council tax debt is set out in this table:

Debt recovery method	Value of arrears (£'000)	Percentage of total arrears
Enforcement action in progress:		
Summons or liability order issued	205	9%
After summons issued and attended court	209	9%
Value with enforcement agents	1,023	45%
Committal summons or warrant of arrest issued but not attended court	74	3%
Potential committal to prison	160	7%
Sentenced to prison	3	0%
Total with enforcement action in progress	1,674	73%
Council tax arrears on payment plans	360	16%
Not yet at enforcement stage	254	11%
Total council tax arrears	2,288	100%

4.5 Amounts not yet at enforcement stage 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.

Non Domestic Rates

- 4.6 Business rates arrears total just under £629k; 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 <u>not</u> on payment plans	Value <u>not</u> on payment plans
1999/2000	1	£2,221	1	£2,221	0	£0
2006/2007	1	£201	1	£201	0	£0
2008/2009	3	£6,535	3	£6,535	0	£0
2009/2010	1	£61	1	£61	0	£0
2010/2011	1	£804	1	£804	0	£0
2011/2012	3	£6,055	2	£5,085	1	£970
2012/2013	2	£5,120	0	£0	2	£5,120
2013/2014	5	£23,203	2	£927	3	£22,276
2014/2015	6	£30,094	2	£1,645	4	£28,449
2015/2016	7	£35,697	2	£3,094	5	£32,603
2016/2017	10	£135,337	0	£0	10	£135,337
2017/2018	11	£133,546	1	£2,676	10	£130,870
2018/2019	59	£250,117	1	£200	58	£249,917
	110	£628,991	17	£23,449	93	£605,542

- 4.7 The arrears for 2018/19 equate to 0.7% of the total NNDR for the year. A full breakdown of the outstanding business rates debt is set out in the table below:

Debt recovery method	Value of arrears (£'000)	Percentage of total arrears
Business rates arrears on payment plans:		
Payment plans in place	7.0	1%
Payment plans where failure to pay will impose a prison sentence	16.5	3%
Total business rates arrears on payment plans	23.5	4%
Amount where reminders have been sent or are immediately due which has arisen due to rateable value changes or recent notification of billing	246.0	39%
Amount where enforcement action is being taken such as recovery action or court summons issued	345.0	55%
Amount with enforcement agent	14.5	2%
Total business rates arrears	629.0	100%

4.8 It is worth noting that around £312k of the amount outstanding is for one business that has been party to a national appeal with the Valuation Office Agency. The outcome of this appeal is that the one assessment currently in place for the property has been split into 1,500 units and Small Business Rates Relief will apply in a number of these cases.

Housing Benefit Overpayments

4.9 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	£11,430	3	£11,430	0	£0
2000/01	2	£9,115	2	£9,115	0	£0
2001/02	1	£409	1	£409	0	£0
2002/03	4	£2,096	4	£2,096	0	£0
2003/04	2	£1,629	2	£1,629	0	£0
2004/05	7	£13,805	7	£13,805	0	£0
2005/06	6	£37,926	4	£2,806	2	£35,120
2006/07	6	£8,309	4	£4,063	2	£4,246
2007/08	8	£7,343	3	£5,570	5	£1,773
2008/09	16	£41,228	11	£20,507	5	£20,721
2009/10	12	£25,845	5	£19,329	7	£6,516
2010/11	19	£35,973	10	£19,069	9	£16,904
2011/12	48	£65,292	25	£32,745	23	£32,547
2012/13	56	£71,991	21	£50,075	35	£21,916
2013/14	70	£123,637	45	£88,834	25	£34,803
2014/15	127	£133,237	90	£86,135	37	£47,102
2015/16	150	£119,819	117	£96,836	33	£22,983
2016/17	177	£214,807	101	£142,694	76	£72,113
2017/18	227	£149,065	154	£123,105	73	£25,960
2018/19	365	£161,913	237	£92,326	128	£69,587
	1306	£1,234,869	846	£822,578	460	£412,291

4.10 The value of invoices raised for recovery of housing benefit overpayments during this time was £10.3m. The amount of outstanding debt in the table above equates to around 12% of this amount. There is around 66% 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 Department of Work and Pensions (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.

- 4.11 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.
- 4.12 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 2019 the council was achieving 83%.

Sundry Debtors

- 4.13 The amount of debt outstanding (over 120 days) in relation to sundry debtors as at 31 March 2019 is £12.5k. This is broken down by years as below:

	Outstanding Debt Amount
2012/13	£997
2013/14	£0
2014/15	£1,541
2015/16	£603
2016/17	£2,701
2017/18	£1,450
2018/19	£5,221
	£12,513

- 4.14 A summary of sundry debtors is set out in the table below:

Debt recovery method	Outstanding debt amount £'000	Percentage of total arrears
Payment plans in place	2.3	18%
Applying for land charge against property	1.9	15%
Referring for legal advice	1.7	14%
In dispute	4.0	32%
Seeking to write off debt	1.5	12%
Paid in full since year end	1.1	9%
Total sundry debt	12.5	100%

5.0 Equality and Diversity Implications

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

6.0 Privacy Impact Implications

- 6.1 There are no privacy impact implications arising from this report.

7.0 Legal Implications

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

8.0 Risk Management

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

9.0 Resource and Financial Implications

9.1 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 0.31% is low.

9.2 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.

10.0 Constitutional Implications

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

11.0 Implications for our Customers

11.1 There are no customer service implications arising from the report.

12.0 Corporate Outcomes

12.1 This report links to the following Corporate Outcome



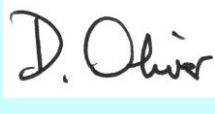
- Effective Management
(Seeking to secure efficient, cost effective management of resources for the Council)

13.0 Recommendation

13.1 Finance and Performance Sub Committee is asked to:

- 1) Note the position of debts written off for financial year 2018/19 and the latest information on outstanding debts at 31 March 2019.

(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: Amy Eyles, Finance Manager aeyles@east-northamptonshire.gov.uk					
Date: 20/06/2019					
CFO 27/06/19		MO (Deputy) 27/06/19		CX 27/06/19	

(Committee Report Normal Rev. 22)

Reasons for recommending write-off of debt

1	Collection Agent Report	No available funds or assets to attach
2	Unemployed	No Attachable Assets, uneconomic to proceed
3	Legal Services advice	Debt unenforceable in court
4	Legal Services advice	Debt prescribed/time barred to pursue
5	Property repossessed	Shortfall in funds
6	Debt Unenforceable	Statutory Notice not served on Property/Owner
7	Irrevocable Mandate Held	No free funds on sale
8	In prison	Debts not enforceable (in the case of a long sentence)
9	Full and Final Settlement	Balance irrecoverable
10	Absconded/No Trace	All reasonable attempts to find the debtor have failed.
11	Deceased	Insufficient or no funds in the Deceased's estate to pay the amount outstanding.
12	Uneconomical to pursue / pursue further	When all recovery processes have been tried or considered or the cost of proceeding would be prohibitive.
13	Liquidation / Administration	Suitable claim has been made but no recovery is expected