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**Report to:** Audit and Governance Committee **Date of Meeting:** 7th December 2016

**Subject:** Revenue Service –  
Write off of irrecoverable debts with balances over £10,000

**Report of:** Head of Corporate Resources

**Wards Affected:** All Wards

**Is this a Key Decision?** No

**Is it included in the Forward Plan?** No

**Exempt/Confidential:**

No - but the Appendices to the report are NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. The Public Interest Test has been applied and favours the information being treated as exempt

**Exempt Appendices:**

Appendix 1 – NNDR accounts over £10,000

Appendix 2 – Sundry Debt accounts over £10,000

Appendix 3 – Council Tax accounts over £10,000

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### **Purpose/Summary**

As outlined within the Council's constitution, all outstanding debts over £10,000 cannot be written off without Member approval.

This report requests the authorisation of the Audit & Governance Committee to write off the debts listed in Appendices 1, 2, and 3 to this report.

### **Recommendation**

To approve the write off of all individual debts detailed in the appendices to this report. The total amount for write off is £226,385.88.

### **How does the decision contribute to the Council's Corporate Objectives?**

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		✓	
2	Jobs and Prosperity		✓	
3	Environmental Sustainability		✓	
4	Health and Well-Being		✓	
5	Children and Young People		✓	
6	Creating Safe Communities		✓	
7	Creating Inclusive Communities		✓	
8	Improving the Quality of Council Services and Strengthening Local Democracy		✓	

**Reasons for the Recommendation:**

The individual debts detailed in Appendices 1 to 3 have all been assessed on an individual basis as all means of recovery have been exhausted. These debts are now considered to be irrecoverable and are recommended for write off.

Approval will ensure uncollectable debt is removed from the system.

**What will it cost and how will it be financed?**

**(A) Revenue Costs**

The amounts proposed for write off are within the provisions set aside for doubtful debts and the Council will write off these debts against these provisions.

**(B) Capital Costs**

N/A

**Implications:**

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

<b>Legal</b>	None
<b>Human Resources</b>	None
<b>Equality</b>	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

**Impact on Service Delivery:**

None

**What consultations have taken place on the proposals and when?**

The Head of Corporate Resources is the author of the report (FD 4394/16).

Head of Regulation and Compliance has been consulted and has no comments on the report. (LD 3677/16).

**Are there any other options available for consideration?**

Not to write off the debt.

## **Implementation Date for the Decision**

Immediately following the close of the meeting.

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## **Background Papers:**

There are no background papers available for inspection.

## **1. Introduction/Background**

1.1 The Council collected over £249.6m during 2015/16 which included:

- £124.2m in Council Tax;
- £71.9m in Business Rates; and
- £43.5m Sundry Income

For 2016/17 the forecast for collectible debits i.e. billed amounts is £254m. This comprises of

- £135.3m – Council Tax;
- £74.7m - Business Rates; and
- £44m – Sundry Income

1.2 All debts, taxes and rates are actively pursued and in most instances are collected with little difficulty. As a result debts are monitored to ensure they are collected in the most efficient and economical manner and are only written off where all means of recovery have been exhausted. This report will provide members with details of those sums that are over £10,000 in value and need to be written off as a result of these processes having been completed.

## **2. Recovery Procedures Undertaken**

2.1 For those sums where a payment is outstanding the following recovery actions are undertaken:-

- Bill / Invoice sent.
- Reminder sent.
- Final Notice sent.
- Summons sent.
- Liability Order granted at Magistrates Court for Council Tax and NNDR.
- Wherever possible Attachment of Earnings or an Attachment of Benefit is set up for Council Tax.
- Telephone debt chasing to make arrangements to pay.
- Home visits are made to make arrangements to pay.
- 14 Day Warning Letter / Letter before action sent.
- Cases referred to Enforcement Agents / Debt Collectors.
- Charging Orders and Land Charges put against the property if appropriate.
- Committal action taken on Council Tax debts including surgeries at both One Stop shops.
- Statutory Demands issued for Bankruptcy proceedings.

2.2 If a debtor is having difficulty making the payment, special arrangements are used to effect recovery and this may mean extending the period of time to collect the debt. Only when all options have been explored would a debt be considered for write off.

2.3 There are a number of key reasons why a debt is put forward for write off. These include:

- The debt is uneconomical to collect i.e. the cost of collection.
- The debtor cannot be found despite all reasonable attempts to trace the debtor. The Revenue Service has access to Experian's database which is used for tracing

absconded debtors. Each case is checked against the system before a decision is taken to put forward the debt for write off.

- The debtor is deceased and there is no likely settlement from the estate or next of kin.
- Organisational insolvency and personal bankruptcy where there are no assets to claim against and there is no/limited likelihood of settlement.

### **3. Approach to Debt Write off**

- 3.1 The amounts proposed for write off within this report are within the provisions set aside for doubtful debts. The Council has made provision for writing off bad debts and these debts will be charged against these provisions.
- 3.2 All debtor accounts have been provided to the Partnership Team Assurance Officers for scrutiny and to ensure that all necessary steps were taken prior to submission for write off. All accounts have been reviewed by the Team.
- 3.3 Whenever an amount is written off it is possible that further sums may be recovered in due course as new information is obtained. This would happen in the following instances:
- Where a new address is found for an absconded debtor attempts will be made to recover any outstanding sums.
  - Whenever a firm or individual goes into bankruptcy, liquidation, receivership etc., the Council's interest is registered with the Receiver, Liquidator etc. and the receiver may pay a dividend to creditors; and
  - Companies that have ceased trading but have not entered into insolvency may restart their business.
- 3.4 Following approval and the write off for individual debts, the Revenues Manager will provide a reconciliation statement identifying any discrepancies that have arisen and reasons for discrepancies. Schedules of balances actually written off will accompany the statement and be submitted to Financial Management for evidence and monitoring debt provision.

### **4. Councils constitution:**

- 4.1 Within the Council's financial regulations debts for any single item or group of items up to £10,000 are submitted for approval to the Chief Finance Officer in conjunction with the Head of Regulation and Compliance and the relevant Strategic and/or Service Director.
- 4.2 Individual debts above this level (£10,000) require the approval of Audit & Governance Committee.

### **5. Debts of over £10,000 Identified for Write-Off**

- 5.1 11 individual accounts with balances over £10,000 and totalling £226,385.88 have been identified for write off.

5.2 These can be summarised as follows:

All Debts		
Write Offs Over £10k		
Write Off Reason	No of Cases	Amount for Write Off
Ceased Trading No Assets	4	£77,317.00
Gone No Trace	2	£23,438.96
Legal Department Recommendation	3	£46,154.52
Liquidation	1	£68,282.58
Unable To Collect	1	£11,192.82
<b>Totals</b>	<b>11</b>	<b>£226,385.88</b>
<b>Breakdown into annual debt:</b>		
2001		£240.44
2004		£148.74
2005		£879.11
2006		£1,535.75
2007		£2,313.79
2008		£2,468.21
2009		£2,187.22
2010		£2,849.26
2011		£2,604.28
2012		£22,500.09
2013		£21,783.16
2014		£24,395.86
2015		£120,274.47
2016		£22,205.50
<b>Total</b>		<b>£226,385.88</b>

5.3 These debts can be broken down into separate revenue types as follows:-

NNDR		
Write Offs Over £10k		
Write Off Reason	No of Cases	Amount for Write Off
Ceased Trading No Assets	4	£77,317.00
Gone No Trace	1	£12,415.70
Liquidation	1	£68,282.58
<b>Totals</b>	<b>6</b>	<b>£158,015.28</b>
<b>Breakdown into annual debt:</b>		
2014		£16,639.11
2015		£119,179.47
2016		£22,196.70
<b>Total</b>		<b>£158,015.28</b>

Sundry Debts

Write Offs Over £10k		
Write Off Reason	No of Cases	Amount for Write Off
Legal Department Recommendation	3	£46,154.52
<b>Totals</b>	<b>3</b>	<b>£46,154.52</b>
<b>Breakdown into annual debt:</b>		
2012	£20,284.19	
2013	£19,188.47	
2014	£6,681.86	
<b>Total</b>	<b>£46,154.52</b>	

Council Tax		
Write Offs Over £10k		
Write Off Reason	No of Cases	Amount for Write Off
Gone No Trace	1	£11,023.26
Unable To Collect	1	£11,192.82
<b>Totals</b>	<b>2</b>	<b>£22,216.08</b>
<b>Breakdown into annual debt:</b>		
2001	£240.44	
2004	£148.74	
2005	£879.11	
2006	£1,535.75	
2007	£2,313.79	
2008	£2,468.21	
2009	£2,187.22	
2010	£2,849.26	
2011	£2,604.28	
2012	£2,215.90	
2013	£2,594.69	
2014	£1,074.89	
2015	£1,095.00	
2016	£8.80	
<b>Total</b>	<b>£22,216.08</b>	

5.4 Whilst the Council seeks to limit the level of debt that is written off, every effort is made to ensure that collection levels remain high. The table below shows the percentage collection rates for both Council tax and NNDR. As reported to various council committees these collection rates are upper quartile when compared to all local authorities nationally.

Council Tax		NNDR	
Year	Collection Rate	Year	Collection Rate
2001	96.20%		
2004	95.60%		
2005	96.10%		

2006	96.40%			
2007	96.40%			
2008	96.40%			
2009	96.70%			
2010	96.70%			
2011	97.10%			
2012	97.30%			
2013	96.20%			
2014	96.30%		2014	98.40%
2015	96.20%		2015	99.30%
2016	Currently 67.78% Target @ 31/3/17 96.40%		2016	Currently 67.99% Target @ 31/3/17 98.50%