

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 6 December 2017
Subject:	Revenue Service - Write off of irrecoverable Business Rates, Housing Benefit Overpayments and Sundry Debts with balances over £10,000		
Report of:	Head of Corporate Resources	Wards Affected:	(All Wards);
Portfolio:			
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No, <u>but</u> the Appendices to the report are NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.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		

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(s):

- (1) To approve the write off of all individual debts detailed in the appendices to this report. The total amount for write off is £248,311.48.

Reasons for the Recommendation(s):

The individual debts detailed in the Appendices 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.

Alternative Options Considered and Rejected: (including any Risk Implications)

Not to write off the debt.

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 of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): None
Legal Implications: None
Equality Implications: There are no equality implications.

Contribution to the Council's Core Purpose:

Not applicable

Protect the most vulnerable:
Facilitate confident and resilient communities:
Commission, broker and provide core services:
Place – leadership and influencer:
Drivers of change and reform:
Facilitate sustainable economic prosperity:
Greater income for social investment:
Cleaner Greener

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Head of Corporate Resources (FD.....) and Head of Regulation and Compliance (LD.....) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Not applicable

Implementation Date for the Decision

Immediately following the Committee meeting.

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Exempt Appendices:

Appendix 1 – Business Rates (NNDR) accounts over £10,000.

Appendix 2 – Housing Benefit Overpayment accounts over £10,000.

Appendix 3 – Sundry Debt accounts over £10,000.

Background Papers:

There are no background papers available for inspection.

1. Introduction/Background

1.1 The Council collected over £253.4m during 2016/17 which included:

- £129.8m in Council Tax;
- £73.5m in Business Rates; and
- £50.1m Sundry Income

For 2017/18 the forecast for collectible debits i.e. billed amounts is £266.6m. This comprises of

- £142.9m – Council Tax;
- £73.7m - Business Rates; and
- £50m – Sundry Income

1.2 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 rate for Council Tax and Business Rates. As reported to various council committees these collection rates are upper quartile when compared to all local metropolitan authorities nationally.

Council Tax		Business Rates	
Year	Collection Rate	Year	Collection Rate
2011	97.10%	2011	97.80%
2012	97.30%	2012	98.00%
2013	96.20%	2013	97.80%
2014	96.30%	2014	98.40%
2015	96.20%	2015	99.30%
2016	96.30%	2016	99.30%
2017	Currently 60.37% @ 19/10/17	2017	Currently 64.69% @ 19/10/17

1.3 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.
- Letter Before Action sent.
- Liability Order granted at Magistrates Court for NNDR.
- 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. However, the vast majority of businesses in Sefton are in leased properties.
- Statutory Demands issued for Bankruptcy proceedings.

2.2 If a person or business 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 Call Credit'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.
- 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 Bad debt provision

Business Rates proposed for write off relating to the current year are not met from the existing provision at 31st March 2017 but will be offset against the amount for bad debts included in the 2017/18 NNDR1(Government Return). There are also specific bad debt provisions for Housing Benefit Overpayments and Sundry Debts.

3.2 **Assurance checks** - 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 **Reconciliation** - following approval and the write off for individual cases, 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 13 individual accounts with balances over £10,000 and totalling £248,311.48 have been identified for write off.

5.2 The accounts are summarised as follows:

All Debt Categories		
Write Offs Over £10k		
Write Off Reason	No of Cases	Amount for Write Off
Bankruptcy	2	£33,141.39
Ceased Trading No Assets	4	£81,009.61
Deceased No Assets	1	£13,470.55
Gone No Trace	2	£60,432.06
Liquidation	1	£20,138.54
Unable To Collect	3	£40,119.33
Totals	13	£248,311.48
Breakdown into annual debt:		
2007	£1,919.25	
2008	£8,967.40	
2009	£9,116.51	
2010	£998.42	
2012	£8,879.24	
2013	£18,015.75	
2014	£22,081.24	
2015	£27,888.62	
2016	£132,900.23	
2017	£17,544.82	
Total	£248,311.48	

Business Rates		
Write Offs Over £10k		
Write Off Reason	No of Cases	Amount for Write Off
Ceased Trading No Assets	4	£81,009.61
Gone No Trace	2	£60,432.06
Liquidation	1	£20,138.54
Unable to Collect	2	£27,131.88
Totals	9	£188,712.09
Breakdown into annual debt:		
2012	£8,879.24	
2013	£18,015.75	
2014	£22,081.24	
2015	£14,418.07	
2016	£107,772.97	
2017	£17,544.82	
Total	£188,712.09	

Housing Benefit Overpayment		
Write Offs Over £10k		
Write Off Reason	No of Cases	Amount for Write Off
Bankruptcy	1	£12,139.81
Deceased No Assets	1	£13,470.55
Totals	2	£25,610.36
Breakdown into annual debt:		
2015	£13,470.55	
2016	£12,139.81	
Total	£25,610.36	

Sundry Debt
Write Offs Over £10k

Write Off Reason	No of Cases	Amount for Write Off
Bankruptcy	1	£21,001.58
Unable To Collect	1	£12,987.45
Totals	2	£33,989.03
Breakdown into annual debt:		
2007		£1,919.25
2008		£8,967.40
2009		£9,116.51
2010		£998.42
2016		£12,987.45
Total		£33,989.03