

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	18 December 2019
<b>Subject:</b>	Write Off of Irrecoverable Debts >£10,000  Revenue Service – Write off of irrecoverable Business Rates, Sundry Debts and Housing Benefit Overpayment debts with balances over £10,000		
<b>Report of:</b>	Head of Corporate Resources	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Cabinet Member Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No - but the appendices to the report are NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.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		

### 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 1-3 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 £288,483.50.

### 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 will be 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. No debts have yet been written off in 2019-20

**(B) Capital Costs**

Not Applicable

**Implications of the Proposals:**

<b>Resource Implications (Financial, IT, Staffing and Assets):</b>
None
<b>Legal Implications:</b>
None
<b>Equality Implications:</b>
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 (FD5858/19) and the Chief Legal and Democratic Officer (LD4092/19) 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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## **Appendices:**

The following appendices are attached to this report:

- Appendix 1 - Business Rates accounts over £10,000.
- Appendix 2 - Sundry Debt accounts over £10,000.
- Appendix 3 - Housing Benefit Overpayment accounts over £10,000.

## **Background Papers:**

There are no background papers available for inspection.

### **1. Introduction/Background**

1.1 The Council collected in income over £268.32m during 2018/19 which included:

- £146.3m in Council Tax;
- £72.1m in Business Rates; and
- £49.2m Sundry Income
- £0.72m Housing Benefit Overpayment Invoices

For 2019/20 the forecast for collectible debits i.e. billed amounts is £291.8m. As at 31 October 2019 this comprises of:

- £162.1m - Council Tax;
- £72.2m - Business Rates; and
- £55m - Sundry Income
- £2.2m – Housing Benefit Overpayment Invoices

1.2 Whilst the Council seeks to limit the level of debt that is written off, every effort is also made to ensure that collection levels remain high. The table below shows the percentage collection rate for Council Tax and Business Rates. As has been previously reported to various council committees, these collection rates compare favourably to all metropolitan local 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	96.30%	2017	98.70%
2018	96.00%	2018	99.22%
2019	68.99% @ 19/11/19	2019	71.33% @ 19/11/19

- 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 considered for write 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 NNDR.
- Telephone debt chasing to make arrangements to pay.
- Home visits are made to make arrangements to pay.
- 14 Day Warning Letter or Letter before action sent.
- Cases referred to Enforcement Agents or Debt Collectors.
- Charging Orders and Land Charges are obtained against the property if appropriate. However, the vast majority of businesses in Sefton are in leased properties.
- Statutory Demands issued for Bankruptcy proceedings.
- For cases that are at potential committal and Statutory Demand stage we have sent cases to an Enforcement Agent for further tracing and propensity to pay enquiries. Where the cases come back with a medium or high propensity to pay score then a final attempt at further recovery of the debt will be made by the Enforcement Agent.

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

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 a credit reference agency 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 31<sup>st</sup> March 2019 but will be offset against the amount for bad debts included in the 2019/20 NNDR1(Government Return). There are also specific bad debt provisions for Council Tax, Housing Benefit Overpayments and Sundry Debts.

3.2 Assurance checks - All debtor accounts proposed for write off are scrutinised independently of the Revenues Service by the Council's Assurance Team before being submitted for write off. Debts are scrutinised to ensure that all necessary steps have been taken in pursuit of the debt.

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 for the write off of 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 of the bad debt provision.

**4. Council's 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 Head of Corporate Resources in conjunction with the Chief Legal and Democratic Officer 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 14 individual accounts with balances over £10,000 and totalling £288,483.50 have been identified for write off.

5.2 The accounts are summarised as follows: -

<b>All Debts - Write offs over £10,000</b>			
<b>Write off Reason</b>	<b>No. of Cases</b>	<b>Amount for Write Off</b>	
Administration	1	£	44,131.58
Ceased Trading No Assets	7	£	113,748.11
Deceased No Assets	2	£	29,186.73
Liquidation	2	£	56,346.06
Unable to Collect - Recovery Exhausted	2	£	45,071.02
<b>Totals</b>	<b>14</b>	<b>£</b>	<b>288,483.50</b>

<b>All Debts - Write Offs by Debt Year</b>		
<b>Year</b>	<b>Amount for Write Off</b>	
2002	£	13,444.63
2015	£	2,126.96
2016	£	26,071.43
2017	£	134,609.18
2018	£	112,231.30
<b>Total</b>	<b>£</b>	<b>288,483.50</b>

<b>Business Rates - Write offs over £10,000</b>		
<b>Write off Reason</b>	<b>No. of Cases</b>	<b>Amount for Write Off</b>
Administration	1	£ 44,131.58
Ceased Trading No Assets	7	£ 113,748.11
Liquidation	1	£ 10,105.49
Unable to Collect - Recovery Exhausted	2	£ 45,071.02
<b>Totals</b>	<b>11</b>	<b>£ 213,056.20</b>

<b>Business Rates - Write Offs by Debt Year</b>	
<b>Year</b>	<b>Amount for Write Off</b>
2015	£ 2,126.96
2016	£ 26,071.43
2017	£ 72,626.51
2018	£ 112,231.30
<b>Total</b>	<b>£ 213,056.20</b>

<b>Sundry Debts - Write offs over £10,000</b>		
<b>Write off Reason</b>	<b>No. of Cases</b>	<b>Amount for Write Off</b>
Liquidation	1	£ 46,240.57
<b>Totals</b>	<b>1</b>	<b>£ 46,240.57</b>

<b>Sundry Debts - Write Offs by Debt Year</b>	
<b>Year</b>	<b>Amount for Write Off</b>
2017	£ 46,240.57
<b>Total</b>	<b>£ 46,240.57</b>

<b>Housing Benefit Overpayments - Write offs over £10,000</b>		
<b>Write off Reason</b>	<b>No. of Cases</b>	<b>Amount for Write Off</b>
Deceased No Assets	2	£ 29,186.73
<b>Totals</b>	<b>2</b>	<b>£ 29,186.73</b>

<b>Housing Benefit Overpayments - Write Offs by Debt Year</b>	
<b>Year</b>	<b>Amount for Write Off</b>
2002	£ 13,444.63
2017	£ 15,742.10
<b>Total</b>	<b>£ 29,186.73</b>