

Report to: **Hub Committee**
Date: **1 November 2016**
Title: **Write-Off Report**
Portfolio Area: **Cllr C Edmonds**
Wards Affected: **All**
Relevant Scrutiny Committee: O&S (Internal) Committee

Urgent Decision: **N** Approval and clearance obtained: **Y / N**

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RECOMMENDATION

The Committee notes that, in accordance with Financial Regulations, the s151 Officer has authorised the write-off of individual West Devon Borough Council debts totalling £14,102.82 as detailed in Tables 1 and 2.

The Committee approves the write off of individual debts in excess of £5,000 totalling £16,800.03, as detailed in Table 3.

1. Executive summary

The Council is responsible for the collection of: Sundry Debts including Housing Benefit Overpayments, Council Tax and National Non-Domestic Rates.

The report informs members of the debt written off for these revenue streams. Debts up to the value of £5,000 being written off by the s151 Officer, under delegated authority. Permission needs to be sought from the Committee to write off individual debts with a value of more than £5,000.

This report covers the period 1st July 2016 to 30th September 2016.

2. Background

The Council's sound financial management arrangements underpin delivery of all the Council's priorities, including the commitment to providing value for money services.

This report forms part of the formal debt write-off procedures included in these financial arrangements.

West Devon Borough Council's collection rates for 2015/16 were; Council Tax 97.4% & Business Rates 98.8%.

In the first two quarters of 2016/17 the Council has collected £20.26 million in Council Tax and £6.57 million in Business Rates. The total collectable debt for 2016/17 (as at 30th September) for Council Tax is £35.53 million and for Business Rates is £11.50 million.

Debts are recovered in accordance with the Council's Recovery Policy which is published on our website.

3. Outcomes/outputs

In accordance with good financial management principles the Council has, for the revenue streams detailed in this report, made a total bad debt provision of £1,733,376. This provision recognises that a proportion of the Authority's debts will prove irrecoverable and ensures that the value of debtors within the Authority's accounts is a fair reflection of the amount that will eventually be recovered.

All debts, taxes and rates within the Service's control are actively pursued, and in most instances are collected with little difficulty. In cases where payment is not received on time, a reminder will be issued promptly to the debtor. If this fails to secure payment, a final reminder and/or a summons will also be issued and if necessary the debt passed to an appropriate collection agent such as the Civil Enforcement Agents or the Council's Legal Department in order to secure payment.

Sometimes, however, if the 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.

In some cases pursuit of an outstanding debt is not possible for a variety of reasons, such as bankruptcy or liquidation and such cases with arrears under £5,000 are written off by the Section 151 Officer under delegated authority. Cases where the debt exceeds £5,000 must, however, be approved by the Committee prior to the debt being written off.

A record is kept of debts written off, together with the reason for doing so, so that if there is a realistic chance of recovery in the future a debt may be resurrected and pursued again.

The Service has access to Experian’s Citizenview database which is currently the most reliable means of tracing absconded debtors. Each case is checked against this system before a decision is taken to write off the debt. A periodic review of write offs against this system may also be carried out to resurrect debts where appropriate.

Collection rates – Has there been any impact from the difficulties with the phone lines into the Customer Contact Centre?

At the last meeting of the Hub Committee, Members asked whether there is thought to have been much impact on the Council’s collection rates, from the difficulties that the Council has recently experienced with the phones lines.

It is not thought that this has had any significant effect on this year’s collection rate. The Council collects total council tax debt of around £35 million and business rates debt of £11.5 million in the year. Whilst the issues will have prevented some residents from getting through and making a payment, there are other ways to pay, including the Council’s automated telephone lines and payment online, so it is not thought that it would have a significant impact. In the first two quarters of 16/17, the Council has collected £20.26 million in Council Tax and £6.57 million in Business Rates.

An issue that will affect the speed of recovery of debts is the fact that the Council normally issues summonses for Court in October. The October date has been cancelled by the Court, as they have changed the location and dates for the Council’s type of court. A court date has been re-booked for November, but it will probably have to be in Torquay or Newton Abbot. This will delay payments for a month.

4. Options available and consideration of risk

5. Proposed Way Forward

The Committee approves the write off of individual debts in excess of £5,000 totalling £16,800.03, as detailed in Table 3.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>The relevant powers for this report are contained within the following legislation;</p> <p>Section 151 Local Government Act 1972 Section 44 Local Government Finance Act 1988 (Non Domestic Rate)</p>

		Section 14 Local Government Finance Act 1992 (Council Tax)
Financial		West Devon Borough Council debts totalling £30,902.85 to be written-off
Risk	Reputation	Any risk to reputation is managed carefully by prompt recovery of amounts due wherever possible.
	Write Off	<p>This risk is also mitigated by taking a balanced view and ensuring that resources are not expended on debts which are not cost effective to pursue</p> <p>The obvious risk of debtors subsequently being able to pay a debt which has been written off is mitigated by the activity outlined in issues for consideration.</p> <p>Any individual debt exceeding £5,000 is referred to members for consideration prior to write-off which accords with Financial regulations.</p>

Comprehensive Impact Assessment Implications		
Equality and Diversity		All enforcement action that is taken prior to this point is undertaken in accordance with legislation and accepted procedures to ensure no discrimination takes place.
Safeguarding		None
Community Safety, Crime and Disorder		None
Health, Safety and Wellbeing		None
Other implications		A bad debt provision is built into the financial management of the Authority

Supporting Information

Appendices:

Table 1 – Council debt under £5,000 written off by the Section 151 Officer

Table 2 – Non-Domestic Rate debt under £5,000 written off by the Section 151 Officer

Table 3 – Summary of items over £5,000 where permission to write off is requested

Table 4 – National & Local Collection Statistics re 2015 / 16 Collection Rates

Table 5 – Quarterly income in 2015 / 16 relating to all years
Table 6 – Previous Year Write Off Totals

Background Papers:

Section 151 Local Government Act 1972

Section 44 Local Government Finance Act 1988 (Non Domestic Rate)

Section 14 Local Government Finance Act 1992 (Council Tax)

Recovery Policy

TABLE 1 SUMMARY OF WEST DEVON BOROUGH COUNCIL DEBT UNDER £5,000 WRITTEN OFF BY S151 OFFICER

TYPE OF DEBT	NUMBER OF CASES	REASON FOR W/OFF	Financial Year 2016/17			Totals for Comparison purposes			
			Quarter 2	Cumulative Total		Equivalent Quarter 2015/16		Grand Total 2015/16	
			Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount
HOUSING BENEFIT COUNCIL TAX BENEFIT	-	Overpaid Entitlement	-	14	7,329.30	8	6,278.95	76	27,451.60
	-	Bankruptcy/DRO/IVA/CVA etc	-	1	112.40	1	137.40	1	137.40
	-	Deceased	-	-	-	-	-	-	-
	-	Other	-	-	-	-	-	-	-
	-	Absconded	-	-	-	2	674.11	6	4,134.02
	-	Not Cost Effective to Pursue	-	5	567.85	7	229.69	13	322.25
	-	Uncollectable Old Debt	-	-	-	3	544.11	9	5,754.73
Total	-		-	20	8,009.55	21	7,864.26	105	37,800.00
COUNCIL TAX	4	Absconded	4,987.80	5	5,370.94	7	5,604.79	39	25,744.67
	-	Bankruptcy/DRO/IVA/CVA etc	-	4	3,271.14	6	3,730.69	32	28,826.08
	2	Deceased	1,650.31	3	4,164.06	1	159.42	3	3,188.73
	3	Other	693.06	6	3,167.40	-	-	3	2,133.96
	-	Small Balance	-	-	-	2	47.24	9	265.88
	-	Uncollectable Old Debt	-	-	-	-	-	-	-
	-	Administration	-	-	-	-	-	-	-
Total	9		7,331.17	18	15,973.54	16	9,542.14	86	60,159.32
SUNDRY DEBTS	-	Small Balance	-	-	-	-	-	1	0.15
	-	Bankrupt/DRO/IVA/CVA etc	-	-	-	-	-	-	-
	-	Not Cost Effective to Pursue	-	-	-	-	-	1	60.00
	-	Uncollectable Old Debt	-	-	-	1	480.00	2	960.00
	-	Absconded	-	-	-	-	-	-	-
1	Other	40.00	1	40.00	2	790.00	5	2,000.00	
Total	1		40.00	1	40.00	3	1,270.00	9	3,020.15
Grand Total	10		7,371.17	39	24,023.09	40	18,676.40	200	100,979.47

**Breakdown of Absconded Council Tax Debt
(Some cases have debts over more than one year)**

Year	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	Pre 2007/08	Total
Value		215.55	754.77	1,953.20	936.82	319.68	239.19	355.04	213.55			
Number		1	3	2	2	1	1	1	1			

TABLE 2 SUMMARY OF NON DOMESTIC RATE DEBT UNDER £5,000 WRITTEN OFF BY THE S151 OFFICER

TYPE OF DEBT	NUMBER OF CASES	REASON FOR W/OFF	Financial Year 2016/17			Totals for Comparison purposes			
			Quarter 2		Cumulative Total	Equivalent Quarter 2015/16		Grand Total 2015/16	
			Amount (£)	Cases		Amount	Cases	Amount	Cases
NON-DOMESTIC RATE	1	Bankruptcy/DRO/IVA/CVA etc	3,081.04	2	4,663.82	-	-	1	1,582.78
	-	Absconded	-	-	-	-	-	1	1,000.53
	-	Deceased	-	-	-	-	-	-	-
	-	Liquidation	-	-	-	2	2,273.21	4	3,310.15
	1	Other	3,650.61	2	4,407.15	-	-	1	756.54
	-	Small Balance	-	-	-	-	-	-	-
	-	Uncollectable Old Debt	-	-	-	-	-	-	-
	-	Administrative Receivership	-	-	-	-	-	-	-
Total	2		6,731.65	4	9,070.97	2	2,273.21	7	6,650.00

TABLE 3 SUMMARY OF ITEMS OVER £5000 WHERE PERMISSION TO WRITE OFF IS REQUESTED

TYPE OF DEBT	NUMBER OF CASES	REASON FOR W/OFF	Financial Year 2016/17			Totals for Comparison purposes			
			Quarter 2		Cumulative Total	Equivalent Quarter 2015/16		Grand Total 2015/16	
			Amount (£)	Cases		Amount	Cases	Amount	Cases
NON-DOMESTIC RATE	1	Liquidation	6,124.02	1	6,124.02	2	19,658.78	3	29,217.16
	-	Administrative Receivership	-	-	-	-	-	-	-
	-	Absconded	-	-	-	-	-	-	-
	1	Bankruptcy/DRO/IVA/CVA etc	10,676.01	1	10,676.01	-	-	-	-
	-	Deceased	-	-	-	-	-	-	-
	-	Other	-	-	-	-	-	-	-
Total	2		16,800.03	2	16,800.03	2	19,658.78	3	29,217.16
HOUSING BENEFIT	-	Bankruptcy/DRO/IVA/CVA etc	-	-	-	-	-	1	5,898.04
	-	Overpaid Entitlement	-	1	17,821.39	-	-	1	9,787.06
	-	Deceased	-	1	5,839.59	-	-	-	-
Total	-		-	2	23,660.98	-	-	2	15,685.10
COUNCIL TAX	-	Bankruptcy/DRO/IVA etc.	-	-	-	-	-	-	-
	-	Absconded	-	-	-	-	-	-	-
Total	-		-	-	-	-	-	-	-
Grand Total	2		16,800.03	4	40,461.01	2	19,658.78	5	44,902.26

TABLE 4 NATIONAL & LOCAL COLLECTION STATISTICS RE 2015-16 COLLECTION RATES

Total amount collected in 2015-16 relating to 2015-16 financial year only (net of refunds relating to 2015-16)

	Council Tax			Non Domestic Rates		
	Collectable Debit i.r.o. 15/16 - £000s	Net Cash Collected* i.r.o. 15/16 - £000s	Amount Collected i.r.o. 15/16 - %age	Collectable Debit i.r.o. 15/16 - £000s	Net Cash Collected* i.r.o. 15/16 - £000s	Amount Collected i.r.o. 15/16 - %age
All England	25,521,990	24,781,788	97.1	24,056,816	23,621,127	98.2
Shire Districts	11,687,667	11,455,297	98.0	7,797,294	7,677,010	98.5
East Devon	88,917	87,973	98.9	33,134	32,414	97.8
Exeter	55,246	53,310	96.5	79,238	78,123	98.6
Mid Devon	44,888	44,020	98.1	15,579	15,436	99.1
North Devon	52,351	50,837	97.1	32,936	32,194	97.7
Plymouth	108,365	104,837	96.7	91,540	91,053	99.5
South Hams	60,131	59,032	98.2	31,887	31,308	98.2
Teignbridge	75,440	74,256	98.4	32,516	32,065	98.6
Torbay	67,254	64,344	95.7	37,666	36,040	95.7
Torrige	36,621	36,028	98.4	11,132	10,956	98.4
West Devon	34,009	33,113	97.4	10,847	10,713	98.8

* Net Cash Collected is total 2015-16 receipts net of refunds paid, in respect of 2015-16 only

TABLE 5 QUARTERLY INCOME IN 2015-16 RELATING TO ALL YEARS

Total amount collected in 2015-16 relating to any financial year (net of all refunds in 2015-16)

	Council Tax Net Cash Collected* £000s	Non Domestic Rates Net Cash Collected* £000s
Quarter 1 - Receipts collected between 1 st April – 30 th June	10,011	3,398
Quarter 2 - Receipts collected between 1 st July – 30 th September	9,395	3,140
Quarter 3 - Receipts collected between 1 st October – 1 st December	9,481	2,549
Quarter 4 - Receipts collected between 1 st January – 31 st March	4,530	1,428

* Net Cash Collected is total receipts in 2015-16 net of refunds paid, irrespective of the financial year (previous, current or future years) to which they relate

TABLE 6 PREVIOUS YEAR WRITE OFF TOTALS

		2015 - 16	2014 - 15	2013- 14	2012 - 13	2011 - 12
HOUSING BENEFIT	Under £5,000 cases	37,800.00	77,477.87	48,315.96	47,636.80	21,103.31
HOUSING BENEFIT	£5,000 or over cases	15,685.10	25,488.58	0.00	0.00	0.00
Total		53,485.10	102,966.45	48,315.96	47,636.80	21,103.31
COUNCIL TAX	Under £5,000 cases	60,159.32	67,271.83	33,385.96	199,475.48	133,748.27
COUNCIL TAX	£5,000 or over cases	0.00	5,265.60	15,940.10	25,924.46	5,658.27
Total		60,159.32	72,537.43	49,326.06	225,399.94	139,406.54
SUNDRY DEBTS	Under £5,000 cases	3,020.15	887.47	818.09	4,449.99	5,719.72
SUNDRY DEBTS	£5,000 or over cases	-	0.00	0.00	0.00	0.00
Total		3,020.15	887.47	818.09	4,449.99	5,719.72
NON DOMESTIC RATES	Under £5,000 cases	6,650.00	17,699.12	35,095.48	18,780.31	32,463.90
NON DOMESTIC RATES	£5,000 or over cases	29,217.16	89,506.07	38,882.41	26,680.71	55,949.62
Total		35,867.16	107,205.19	73,977.89	45,461.02	88,413.52
GRAND TOTAL		152,531.73	283,596.54	172,438.00	322,947.75	254,643.09

Appendix 1 – Explanation of the cost to the Council of Housing Benefit Overpayments which are subsequently written off.

OVERPAYMENT RECOVERY

At the previous Hub Committee meeting, Members requested that an explanation of the cost to the Council of Housing Benefits overpayments that are written off was attached to the next write off report to the Committee

Subsidy on overpayments of housing benefit varies depending on the reason for the overpayment.

A “Local Authority error overpayment” means an overpayment caused by a mistake made by an authority, it may be a mistake of fact or of law, it does not apply however if the person to whom the payment was made, caused or materially contributed to that mistake.

An “administrative delay overpayment” means one which has arisen when the Council has failed to act on information provided in a timely manner.

Local Authority error and administrative delay overpayments are combined for housing benefit subsidy purposes. The amount of subsidy that a Council can claim in a year depends on the combined amount as compared with its total correct payments of housing benefit in that year.

For up to 0.48%, the Council can claim 100% subsidy on all such overpayments.

Above 0.48% and up to 0.54% the Council can claim 40% subsidy on all such overpayments.

For amounts above 0.54%, the Council cannot claim any subsidy back.

For example last year 2015/16 the total housing benefit expenditure for West Devon was £13,468,361.

The lower threshold 0.48% was £64,648

The upper threshold 0.54% was £72,729

Total Local Authority Error and Admin Delay overpayments totalled £52,978 in 2015/16, so therefore the Council claimed the whole amount of this back in subsidy.

The Council could have claimed 100% subsidy up to £64,648, for anything between the amounts of £64,648 - £72,729 the Council could have claimed 40% of the amount in subsidy and for anything above £72,729 the Council wouldn't have been able to claim anything. Most other overpayments created attract 40% subsidy.

All overpayments are recoverable in the first instance and the Council keeps all monies recovered.

Therefore the cost to the Council of writing off Housing Benefit overpayments can be anywhere between 0% (where 100% is subsidy achieved), 60% (where 40% subsidy is achieved) and 100% (where Nil subsidy is achieved). The amount is dependent on where the Council is on its threshold. In 2015/16, the Council received 100% subsidy for all overpayments due to being below the lower threshold for the year.