

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 23 JULY 2013

Title of report	FORMER TENANT RENT ARREARS, CURRENT TENANT RENT ARREARS, COUNCIL TAX, NON DOMESTIC RATES AND SUNDRY DEBTOR WRITE-OFFS
Key Decision	a) Financial No b) Community No
Contacts	<p>Councillor Nicholas Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Chief Executive 01530 454500 christine.fisher@nwleicestershire.gov.uk</p> <p>Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk</p>
Purpose of report	To agree write-offs over £10,000 and receive details of debts written off under delegated powers.
Reason for Decision	To comply with proper accounting practices.
Council Priorities	Value for Money
Implications: Financial/Staff Link to relevant CAT Risk Management Equalities Impact Assessment Human Rights	<p>There is no additional financial effect as all the debts are met from the Authority's bad debt provision.</p> <p>None</p> <p>Regular reviews of debts for write off moderates the risk that External Audit will "qualify" the Council's accounts on the basis they do not reflect the true level of recoverable income. It is also part of an effective arrears management strategy.</p> <p>Not applicable.</p> <p>None discernable.</p>

Transformational Government	Not applicable.
Comments of Head of Paid Service	The report is satisfactory.
Comments of Section 151 Officer	The report is satisfactory.
Comments of Monitoring Officer	The report is satisfactory.
Consultees	None.
Background papers	All papers used in compiling the report contain exempt information under paragraph 3 of Part 1 to Schedule 12A Local Government Act 1972
Recommendations	THAT CABINET APPROVE THE WRITE OFFS OVER £10,000 DETAILED IN THIS REPORT. THAT CABINET NOTE THE AMOUNTS WRITTEN OFF UNDER DELEGATED POWERS.

1.0 DOUBTFUL DEBT PROVISIONS

1.1 Provision is made in the accounts as follows:

	As at 1 April 2013	Write offs to date (Under delegated powers)	Balance Available
Council Tax	£1,270,609	£33,066.22	£1,237,542.78
Non Domestic Rates	£481,459	£24,518.66	£456,940.34
Housing Rents	£320,618	£15,510.74	£305,107.26
Sundry Debtors	£934,140	£302.39	£933,837.61

2.0 FORMER TENANT RENT ARREARS

2.1 There are currently no Former Tenant Rent Arrears over £10,000 for which we seek approval.

2.2 The amounts written off under delegated powers, in accordance with the thresholds outlined in the write off policy are as follows: 62 cases under £1,000 which amount to £15,510.74. Of these, 13 have no known forwarding address (£5,011.22), 19 are uneconomical to pursue (£1844.64) and 30 are deceased (£8,654.88).

3.0 CURRENT TENANT RENT ARREARS

3.1 The amount written off under delegated powers for current tenant rent arrears is one case due to a debt relief order (£67.22)

4.0 COUNCIL TAX

4.1 There are currently no Council Tax debts over £10,000 for which we seek approval.

4.2 The amounts written off under delegated powers, in accordance with the thresholds outlined in the write off policy, are as follows: 45 cases under £1,000 which amount to £17,174.98. Of these, 28 have absconded (£10,412.61), four are deceased (£1,836.94), one is due to severe hardship/serious health issues £209.92, 10 are insolvent (£4,036.92) and two which are uneconomical to collect (£679.29). There are eight cases between £1,000 and £10,000 which amount to £15,891.24. Of these, three absconded (£6,979.92) and five are insolvent (£8,911.32).

4.3 The full list of reasons for writing off debt includes:

- Bankruptcy or a Debt Relief Order is in place
- Deceased – No assets in the estate.
- Debtor Absconded / No Trace
- Company in liquidation/dissolved or ceased trading with no assets
- Severe Hardship and/or Serious health Issues
- Statute barred i.e. we cannot legally pursue the debt as there has been six years since the debt fell due and no action has been taken to collect the debt.
- Uneconomical to collect i.e. it is not financially viable to take further action for e.g. due to the low level of the debt, they have gone abroad etc.

4.4 Writing off debts is only considered where all appropriate recovery and enforcement measures have been taken, or, where the council are legally prohibited from pursuing the debt.

4.5 Each year the council produces a recovery timetable which details the dates on which the statutory Reminders, Final Notices and Summonses are to be despatched. The letters issued are designed to maximise collection by prompting tax payers to pay their missed instalments in a timely manner, thereby avoiding further enforcement action taking place. A leaflet is included with the reminders to explain what happens next should payment not be made.

4.6 For all outstanding debt, the council takes the recovery action outlined in the bullet points below:

- If payment is not received by the instalment due date shown on the bill, a reminder notice is issued.
- If payment is received within seven days the tax payer may continue with their original instalment plan. If they default again within the year, then one further reminder notice is issued. If they do not pay, the following steps are taken.

- If payment is not received by the date on the reminder notice, a court Summons is issued. The Summons advises them of the date and time that the council will attend a Magistrates Court hearing to apply for the award of a Liability Order against them.
- Once a Liability Order is obtained, the council has a number of enforcement options open to them in order to secure payment of the debt.

4.7 Liability Order Action

Once a Liability Order has been obtained each debt is looked at and a decision is made as to the most appropriate course of action to take from the list of available options below. It is only after all of these have been considered and/or pursued that the debt is put forward for write off.

1. Apply to the debtor's employer for an Attachment of Earnings.
2. Apply to the DWP for a deduction from the debtor's benefits
3. Instruct an external enforcement company (bailiffs) to collect the debt on the council's behalf.
4. If the bailiff company are unsuccessful, the council could commence committal proceedings against the debtor.
5. If the debtor owns their own home a Charging Order could be placed on the property.
6. If the debt is over £750, bankruptcy proceedings could be commenced against the debtor.

When considering the final three options on the above list, the council must always be mindful of the individual circumstances of the debtor and the financial impact on the council of pursuing each option. Additional costs will be incurred when utilising any of these options.

5.0 NON DOMESTIC RATES

5.1 There is one case over £10,000 which is recommended for write off. The amount to be written off in this case is £18,077.91. The debt must be written off as the individual concerned has been made bankrupt and we are now legally prohibited from taking any further action to recover the debt.

5.2 See analysis in table 1 below:

Table 1

Case Number	Parish	Amount £	Reason
1	Castle Donington	£18,077.91	Insolvent
Total		£18,077.91	

5.3 The amounts written off under delegated powers in accordance with the policy thresholds are as follows: three cases under £1,000 which amount to £1,687.30. Of these, one has absconded (£383.64) and two are Insolvent (1303.66). There are six cases between £1,000 and £10,000 which amount to £22,831.36. Of these, two have absconded (£12,256.19) and four are insolvent (£10,575.17).

- 5.4 As with the recovery of Council Tax, for Business Rates, writing off debt is only ever considered as a last resort. Often, companies become insolvent and the council is prohibited from taking any further action as all of their outstanding debts are included within the Administration, Liquidation or personal bankruptcy.
- 5.5 The council follows the same recovery process for Business Rates as for Council Tax. However, once the council has obtained a Liability Order there are only a limited number of enforcement actions that can legally be pursued. In most cases, where a payment arrangement or contact cannot be made, the council refers the case to external bailiffs. If they are unsuccessful, the council then has three further options to consider before putting the debt for write off. These options are:
- Committal
 - Security for Unpaid Rate (this is the equivalent of a Charging Order on a property but this can only be done with the ratepayers agreement)
 - Insolvency Proceedings

6.0 SUNDRY DEBTORS

- 6.1 There is one Sundry Debtor case over £10,000 for which we seek approval for write off. The debt, amounting to £10,071.39 relates to Overpaid Housing Benefit. The reason for write off is because the debtor has been made bankrupt. The council are now legally prohibited from taking any further action to recover the debt.
- 6.2 See analysis in table 2 below.

Table 2

Case Number	Parish	Amount £	Reason
1	Coalville	£10,071.39	Bankruptcy
	Total	£10,071.39	

- 6.3 The amounts written off under delegated powers in accordance with the thresholds outlined in the write off policy are as follows: six cases under £1,000 which amount to £302.39. Of these cases, two have absconded (£64.18), two are deceased (£108.00), one uneconomical to collect (£32.80) and one due to bankruptcy (£97.41). There are no cases between £1,000 and £10,000.
- 6.4 For all outstanding Benefit Overpayment debt, the council takes the recovery action outlined in the bullet points below:
- An invoice is issued giving 14 days to make payment, or to contact the council.
 - If payment is not received a first Reminder is issued, followed by a second reminder 2/3 weeks later.
 - If payment is not received a 'CIS' (DWP database) check is carried out to assess if an attachment of benefit is appropriate. If benefit cannot be attached the account is sent to an

external bailiffs collection team with no cost to the council. However, they have no powers to enforce the debt at this stage only to collect it.

- If the cases are returned, each case is checked and a decision is made as to whether it is appropriate to start legal proceedings in the County Court.

7.0 BENCHMARKING

7.1 At the end of 2012/13 we undertook a benchmarking exercise with other Leicestershire Authorities, Rutland and North Warwickshire B.C. We compared the 2012/13 Council Tax and Non Domestic Rates 'in year' collection rate and the outstanding level of arrears. This analysis is shown below in table 3.

Table 3 (* see note below)

2012/13 Outturn - Benchmarking Analysis for Leicestershire, Rutland and North Warwickshire BC.

Council	CTax Collection 2012/13	CTax Arrears 2012/13 only	CTax Arrears pre 2012/13	NNDR Collection 2012/13	NNDR Arrears 2012/13 only	NNDR Arrears pre 2012/13
North West Leicestershire DC	97.76%	£1,088,000	£1,250,000	99.20%	£744,000	£280,000
Hinckley & Bosworth BC	98.16%	£931,000	£710,000	97.74%	£603,000	£90,000
Harborough DC	98.53%	£834,000	£1,250,000	98.35%	£395,000	£160,000
Melton BC	97.96%	£560,282	£1,363,395	98.01%	£241,805	£277,129
Oadby & Wigston BC	98.80%	£308,261	£415,104	98.20%	£282,313	£354,873
Blaby DC	97.05%	N/K	N/K	96.78%	N/K	N/K
Charnwood BC	97.92%	N/K	£3,986,846	98.76%	N/K	£777,850
Leicester CC	95.97%	£3,794,000	£5,898,000	97.43%	£2,314,000	£2,447,000
Rutland CC	98.96%	£252,911.01	£271,061	98.74%	£119,148	£17,927
North Warwickshire BC	98.16%	£571,532	£505,658	98.85%	£279,717	£291,305

*Please note: When comparing the data in table 3, account must be taken of the significant variance in the level of staffing resource at each Local Authority, the number of dwellings, the number of rating assessments, the demographics of each area and the level of affluence/deprivation.

- 7.2 We are currently in the process of liaising with councils that fall within the same Audit Commission Family Group, i.e. Local Authorities that are similar to North West Leicestershire in terms of population, demographics, deprivation etc. Subject to their response, we hope to be able to include this benchmarking information in a future report.
- 7.3 On the 26 June 2013 the Government published the national outturn for Council Tax and NNDR collection rates for all Billing Authorities. The information can be accessed by using the link below.

<https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/council-tax-statistics>