

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**CABINET – 4 MARCH 2014**

Title of report	<b>FORMER TENANT RENT ARREARS, CURRENT TENANT RENT ARREARS, COUNCIL TAX, NON DOMESTIC RATES AND SUNDRY DEBTOR WRITE-OFFS</b>
Key Decision	a) Financial No b) Community No
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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	There are no additional financial implications as all the debts are met from the Authority's bad debt provision.
Link to relevant CAT	None
Risk Management	Regular reviews of debts for write off moderates the risk that External Audit will comment on" 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.
Equalities Impact Assessment	Not applicable.
Human Rights	None discernable.
Transformational Government	Not applicable.
Comments of Head of Paid Service	Report is satisfactory

Comments of Section 151 Officer	Report is satisfactory
Comments of Monitoring Officer	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	<p><b>1. THAT CABINET APPROVES THE WRITE OFFS OVER £10,000 DETAILED IN THIS REPORT.</b></p> <p><b>2. THAT CABINET NOTES THE AMOUNTS WRITTEN OFF UNDER DELEGATED POWERS.</b></p>

## 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)	Amounts written off over £10,000 approved by Members	Balance Available
Council Tax	£1,270,609	£123,426.05	0.00	£1,147,182.95
Non Domestic Rates	£481,459	£86,514.30	£110,418.44	£284,526.26
Housing Rents	£320,618	£60,124.73	0.00	£260,493.27
Sundry Debtors	£934,140	£50,717.51	£10,071.39	£873,351.10

## 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: 15 cases under £1,000 which amount to £1,024.17. Of these, 12 are uneconomical to pursue (£409.19), three are where the tenant is deceased and there is no estate (£614.98). There were 26 cases which qualified for a bereavement allowance following the death of the tenant (£6,903.85).

## 3.0 CURRENT TENANT RENT ARREARS

3.1 There are no current rent arrears which have been written off.

## 4.0 COUNCIL TAX

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

4.2 The amounts written off under delegated powers, in accordance with the thresholds outlined in the write off policy, are as follows: 15 cases under £100 which amount to

£499.97. Of these, seven have absconded (£274.11), one is insolvent (£75.52), seven are uneconomical to collect (£150.34). There are 37 cases between £100 and £1,000, which amount to £13,908.45. Of these, four have Debt Relief Orders (£1,574.59), 21 have absconded (£7,014.78), one is deceased with no assets (£940.54), three have are insolvent (£1,223.42), six have insufficient recovery data (£2,644.78) and two are uneconomical to collect (£510.34). There are 18 cases between £1,000 and £10,000 which amount to £29,438.31. Of these, 10 have absconded (£16,521.09), seven are insolvent (£11,761.37), one has insufficient recovery data (£1,155.85).

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 (NNDR)**

- 5.1 There is currently one Non Domestic Rate debt for £10,878.00 for which we seek approval for write off. The company have entered into a Company Voluntary Arrangement (CVA) on 18 November 2013 and we cannot legally take any further recovery action for this debt whilst this is in place.
- 5.2 The amounts written off under delegated powers in accordance with the policy thresholds are as follows: There are no cases under £100. There are four cases between £100 and £1,000 which amount to £948.53. Of these, three have absconded (£687.78) and one is insolvent (£260.75). There are four cases between £1,000 and £10,000 which amount to £20,935.25, all of which are insolvent.
- 5.3 As with the recovery of Council Tax, for Business Rates, writing off debt is only ever considered as a last resort. Often companies, sole traders or partnerships 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.
- 5.4 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 (For sole traders and partnerships only)
  - 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 are currently no Sundry Debtor cases over £10,000 for which we seek approval for write off.
- 6.2 The amounts written off under delegated powers in accordance with the thresholds outlined in the write off policy are as follows: There are four cases under £100 which amount to £180.44. Of these, one debtor has absconded (£89.17), one is deceased

with no assets (£51.73), and two are uneconomical to collect (£39.54). There are 11 cases that are between £100 and £1000 amounting to £5,638.92. Of these, three are deceased (£770.03), one is insolvent (£873.74), five have absconded (£2,648.52) and two have debt relief orders (£1,346.63). There are 15 cases between £1,000 and £10,000 which amount to £29,403.20. Of these, five cases relate to Overpaid Housing Benefit (£14,364.63), one case relates to Building Regulation Inspection Fees (£1,125.50), four relate to Homeless Bed and Breakfast charge (£8,791.27), three relate to sewer repairs (£3,044.01) and two relate to Miscellaneous Fees (£2,077.79). The reasons are that the individuals cannot be traced, their age or that no further action can take place as they are now statute barred.

6.3 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 two to three 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.
- If judgement is obtained in the County Court, the following enforcement options are available to consider:-
  1. Attachments of Earnings (deduction of customer's wages, at source by employer)
  2. Warrants of Execution (the use of County Court Bailiff, or High Court Sheriff)
  3. Third Party Debt Orders (Utilises the customer's bank account to extract payment)
  4. Charging Order (the debt is secured on the customer's house)
  5. Insolvency (petition for bankruptcy)

## 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

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
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 or table 4, account must be taken of the significant variance in the levels 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 which all contribute towards the performance figures.

- 7.2 The Partnership has obtained 2012/13 outturn benchmarking information from three other Shared Service Partnerships for comparison purposes. See table 4 below. The Partnership is also currently liaising with councils within the same 'Audit 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.

**Table 4 (\* see note above)**

**2012/13 Outturn - Benchmarking Analysis (Shared Service Partnerships).**

Partnerships	Individual Councils with the Partnerships	CTax Collection 2012/13	NNDR Collection 2012/13
The Leicestershire Partnership	North West Leicestershire DC	97.76%	99.20%
The Leicestershire Partnership	Hinckley & Bosworth BC	98.16%	97.74%
The Leicestershire Partnership	Harborough DC	98.53%	98.35%
Preston & Lancaster Revs and Bens Shared Service	Preston	97.20%	96.00%
Preston & Lancaster Revs and Bens Shared Service	Lancaster	97.10%	97.90%
Stour Valley Partnership	North Dorset	99.71%	97.61%
Stour Valley Partnership	East Dorset	98.98%	97.61%
Stour Valley Partnership	Christchurch	98.47%	97.18%
East Kent Services Partnership	Canterbury City Council	98.87%	99.30%
East Kent Services Partnership	Dover District Council	98.04%	95.80%
East Kent Services Partnership	Thanet District Council	96.28%	98.00%

- 7.3 On 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>