

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 9 DECEMBER 2014

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
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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 is no additional financial effect 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 mitigates the risk that the Council's accounts do not reflect the true level of recoverable income. It is also part of an effective arrears management strategy.
Equalities Impact Screening	Not applicable.
Human Rights	None discernible.
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 Deputy 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	<p>1. THAT CABINET APPROVES THE WRITE OFFS OVER £10,000 DETAILED IN THIS REPORT.</p> <p>2. THAT CABINET NOTES THE AMOUNTS WRITTEN OFF UNDER DELEGATED POWERS.</p>

1.0 DOUBTFUL DEBT PROVISIONS

1.1 Provision is made in the accounts as follows:

	As at 1 April 2014	Write offs to date (under delegated powers)	Amounts written off over £10,000 approved by Members	Balance Available
Council Tax	£1,475,791.00	£166,821.34	£0.00	£1,308,969.66
Non Domestic Rates	£840,710.00	£66,051.38	£148,160.24	£626,498.38
Housing Rents	£381,230.18	£17,283.43	£0.00	£363,946.75
Sundry Debtors/Housing Benefit Overpayments	£1,143,083.25	£7,842.41	£0.00	£1,135,240.84

2.0 FORMER TENANT RENT ARREARS

2.1 There are currently no former tenant rent arrears over £10,000 for which Cabinet's approval for write off is sought.

2.2 The amounts written off under delegated powers, in accordance with the thresholds outlined in the write off policy are as follows: 36 cases under £1,000 which amount to £5,483.92. Of these, 19 are uneconomical to pursue (£878.45), one is where the tenant is deceased and there is no estate (£176.48), one is statute barred (£350.10) and two are uneconomical to pursue legal action (£984.86). There were 13 cases which qualified for a bereavement allowance following the death of the tenant (£3,094.03).

3.0 CURRENT TENANT RENT ARREARS

3.1 There are currently no current tenant rent arrears for which we seek approval for write-off.

4.0 COUNCIL TAX

4.1 There are currently no council tax debts over £10,000 for which Cabinet's approval for write off is sought.

4.2 The amounts written off under delegated powers, in accordance with the thresholds outlined in the write off policy, are as follows: Nine cases under £100 which amount to £329.86. Of these, four have absconded (£223.35), two are deceased (£14.12), one has a debt relief order (£41.51), one is insolvent (£17.50) and one is uneconomical to collect (£33.38). There are 71 cases between £100 and £1,000, which amount to £33,875.82. Of these, one has a debt relief order (£467.33), 48 have absconded (£23,915.40), two are deceased with no assets (£840.55), three have severe hardship (£1,088.74), nine are insolvent (£3,417.49) and eight are uneconomical to collect (£4,146.31). There are 32 cases between £1,000 and £10,000 which amount to £54,690.68. Of these, one has a debt relief order (£1,221.10), 22 have absconded (£30,462.27), four are insolvent (£11,545.51), and five are uneconomical to collect (£11,461.80).

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 made against 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 are currently four Non Domestic Rate debts over £10,000 which amount to £63,814.20 for which Cabinet's approval for write off is sought. One of the companies has gone into liquidation (£13,680.57), therefore we cannot legally take any further recovery action against these debts. The other three have absconded (£50,133.63).
- 5.2 The amounts written off under delegated powers in accordance with the policy thresholds are as follows: There are two cases under £100 which amount to £127.76. Of which, one is insolvent (£37.10) and one is uneconomical to collect (£90.66). There are 16 cases between £100 and £1,000 which amount to £6,023.37 of which, two have absconded (£516.38), seven are insolvent (£2,990.93), two case have insufficient recovery data (£1,115.85) and five are uneconomical to collect (£1,400.21). There are eighteen cases between £1,000 and £10,000 which amount to £48,833.75 of which, seven have absconded (£19,156.51), one case is severe hardship (£4,594.86), six cases are insolvent (£15,289.30) and four are uneconomical to collect (£9,793.08).
- 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 (INCLUDES HOUSING BENEFIT OVERPAYMENTS)

6.1 There are currently no sundry debtor cases over £10,000 for which Cabinet's approval for write off is sought.

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 five housing benefit overpayment cases under £100 which amount to £236.52. One of these has absconded (£35.58), one is deceased with no assets (£63.62) and three are uneconomical to collect (£137.32). There are six housing benefit overpayment cases that are between £100 and £1000 amounting to £1,971.77. Of these, one has absconded (£233.51), three are insolvent (£749.14), and two are uneconomical to collect (£989.12).

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 Control (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 2013/14 we undertook a benchmarking exercise with other Leicestershire and Rutland Authorities. We compared the 2013/14 Council Tax and Non Domestic Rates 'in year' collection rates against the 2012/13 out-turn. This analysis is shown in table 3 below.

Table 3 (*see note below)

2012/13 and 2013/14 Outturn - Benchmarking Analysis for Leicestershire and Rutland

Council	CTax Collection 2012/13	CTax Collection 2013/14	NNDR Collection 2012/13	NNDR Collection 2013/14
North West Leicestershire DC	97.76%	97.42%	99.20%	97.80%
Hinckley & Bosworth BC	98.16%	98.00%	97.74%	98.04%
Harborough DC	98.53%	98.57%	98.35%	99.10%
Melton BC	97.96%	97.80%	98.01%	98.90%
Oadby & Wigston BC	98.80%	98.50%	98.20%	98.30%
Blaby DC	97.05%	97.45%	96.78%	99.13%
Charnwood BC	97.92%	97.73%	98.76%	98.14%
Leicester City	95.97%	94.81%	97.43%	96.99%
Rutland CC	98.96%	98.80%	98.74%	98.80%

***Please note:** When comparing the data in table 3, 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 Also, in 2013/14 each council replaced the former fully funded Council Tax Benefit Scheme with a Local Council Tax Support Scheme (LCTS), with 10% less Government funding to pay for it. As 100% support was no longer available, in 2013/14, each council had a higher level of debt to collect from people on low incomes. Many of the people affected had not had to pay council tax before.
- 7.3 In addition to the introduction of the LCTS, the abolition of two council tax empty property exemptions, replaced by local discounts, also created more debt and had a negative impact on the 2013/14 collection rates.
- 7.4 The Partnership has recently undergone a full service review. Part of the remit of the Institute of Revenues, Rating and Valuation (IRRV) review team was to look at the performance of the Partnership in comparison to similar Shared Services. In the future the Partnership intends to join a new Shared Service benchmarking group, to be established by the IRRV, which will provide more detailed 'like for like' comparable performance data. Benchmarking information will be included in future write off reports once the data becomes available.