

UNCOLLECTABLE DEBTS IN EXCESS OF £10,000
COUNCILLOR DAVID SEATON, CABINET MEMBER FOR RESOURCES
February 2018
Deadline date: N/A

Cabinet portfolio holder: Responsible Director:	Councillor David Seaton, Cabinet Member for Resources. Marion Kelly, Interim Corporate Director: Resources
Is this a Key Decision?	YES If yes has it been included on the Forward Plan : Yes Unique Key decision Reference from Forward Plan : KEY/28NOV16/01
Is this decision eligible for call-in?	YES
Does this Public report have any annex that contains exempt information?	NO
Is this a project and if so has it been registered on Verto?	NO

R E C O M M E N D A T I O N S

The Cabinet Member is recommended to authorise the write off of the debt shown as outstanding in respect of non-domestic rates, council tax, housing benefit overpayments and accounts receivable (sundry debt) accounts included in the Appendix 1. This details the financial year and the category for the write off request.

1. SUMMARY OF MAIN ISSUES

- 1.1 This report seeks the Cabinet Member's approval to write-off uncollectable debts that exceed £10,000 in relation to non-domestic rates, council tax, housing benefit overpayments and accounts receivable (sundry debt), as detailed in the appendices to this report. The aggregate total value of these debts is £4,637,817.
- 1.2 All cases requested for write-off follow a lengthy process to recover the outstanding money, sometimes dating back many years. Only once all avenues have been exhausted will the council consider writing off debt.

- 1.3 It is acknowledged that given the high volume and value of invoices and bills issued there will always be a requirement to write off an element of debt as uncollectable, however, a number of the debts included within this report are historic and should have been considered for write off a number of years ago.
- 1.4 In producing this report the Cabinet Member responsible for this work area requested that a number of cases be reviewed again to ascertain whether any further actions could have been taken to maximise income. The outcome of this review identified that although a number of cases could have been taken through the recovery process more quickly no evidence was found that this would have resulted in any more debt being collected.
- 1.5 The largest type of debt raised each year is business rates at approximately £100 million per annum followed by council tax at approximately £80 million per year. When the sum recommended for write off is expressed as a percentage of the total debt raised over the period it represents less than 0.3%. If debts less than £10,000 are included the total percentage remains well under 1% at 0.38% of the total debt raised.
- 1.6 Debt to be written off is set out in Appendix 1. This has been fully provided for in the council's debt provisions. As a result, there will be no adverse impact on the Council's revenue position as a result of this write off exercise and no adverse financial impact as a result of not writing these debts off sooner.

2. PURPOSE OF THIS REPORT

- 2.1 This report is for the Cabinet Member for Resources to consider exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (n).

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO
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4. DETAILS OF DECISION REQUIRED

- 1.1 The Cabinet Member for Resources is requested to approve the write off of uncollectable debt in excess of £10,000. These debts relate to non-domestic rates, council tax, housing benefit overpayments and accounts receivable (sundry debt) accounts.

Financial Context

- 1.2 The Council is committed to taking all appropriate action necessary before considering a debt for write off. This includes multiple written reminder letters early in the recovery process, telephone call follow up, senior management dialogue with counterparts, and where necessary, court and enforcement agent action. It can take several years before all actions have been undertaken.
- 1.3 Per annum, the Council currently expects to receive approximately £100m in non-domestic rates, £79m in council tax, £3.5m in housing benefit overpayments and in excess of £50m of sundry invoice income. As a result of business activity on this scale, the Council recovers millions of pounds every year in unpaid debt, sometimes dating back years, due to being persistent in recovery activity. For example, in 2015/16 the Council collected £1.1m in council tax which was owed to it for the previous financial year, and a further £889k from 2013/14 and before.
- 1.4 Despite our best endeavours, it is inevitable that a small percentage of debt will not be collected and will ultimately have to be written off. There are a number of reasons why this

occurs with the most common being where a company has gone into liquidation, an individual has been made bankrupt, a debtor has died with no funds available, or where it has not been possible to trace a debtor. It is very common for large organisations in both the public and private sectors to incur debt, and the Council is no different in that respect. Writing off debt is standard practice and recommended as part of good budget management.

- 1.5 In respect of council tax and non-domestic rates, although the Council continues to collect arrears after the year it becomes due, the amount collected 'in year' is still measured. When comparing performance between councils Peterborough is grouped with 15 other Local Authorities that are deemed to be our benchmark neighbour's due to a number of factors including deprivation rates.
- 1.6 Peterborough has delivered the highest in year collection rate increase between 2015/16 and 2016/17 for non-domestic rates of 0.9%. Of the other 15, five councils collected less than the previous year and four the same. However at 97.4% our in-year collection rate is lower than the average for the group which is currently 97.7%. Peterborough has also delivered the highest in year collection rate increase between 2015/16 and 2016/17 for council tax of 0.5%. Of the other 15, four councils collected less than the previous year and two the same. However at 95.5%, our in-year collection rate is lower than the average for the group which is currently 96.4% (note – as these are in year levels, final collection figures will be slightly higher). The Council has returned an overall surplus on the collection fund in 2017/18 due to these collection activities and as part of the overall Council debt management activities is actively ensuring processes in place achieve higher collection rates in future years.
- 1.7 In respect of Housing Benefit overpayments, the majority of these occur when the Council is not notified about a change of circumstances for Claimants. Claimants, their appointees/ agents, or landlords to whom a direct payment is being made, must report all changes of circumstance that they could reasonably be expected to know, which may affect entitlement to Housing Benefit (i.e. no longer entitled to benefit or entitled to reduced benefit). In addition, overpayments can arise through:
 - Claimant error or fraud when making a claim
 - Landlord/ agent error or fraud
 - Departmental official error (e.g. a mistake made by DWP staff when processing an award of Income Support (IS), Employment and Support Allowance, Income Related ((ESA)(IR)), Jobseekers Allowance (Income Based)(JSA(IB) or Pension Credit (PC) guarantee credit ends
 - Payment irregularity (e.g. fraudulent encashment of a cheque)
 - Council error or administrative delay (i.e. input errors or delays when processing a change of circumstance)
- 1.8 The Department for Work and Pensions (DWP) produce annual statistics for Housing Benefit debt recovery performance. In terms of the national picture, Peterborough are 95th out of 375 Local Authorities that have been reported (a small number of LAs had incomplete data), which is just below the top quartile. The measure used is the total debt recovered / (debt identified in year + debt carried forward from prior year).
- 1.9 As an indication of the equivalent amounts of income raised over the corresponding period, Table 1 in Appendix 1 shows that the total write off being considered for each debt type is less than 1% of the total expected to be received, and that the debts span a number of financial years.
- 1.10 In addition to the balances to be written off as part of this report, debts with a value less than £10,000 also require write-off consideration. While not forming part of this governance

process (due to delegation limits as part of the Council's financial regulations), the values are shown in Appendix 2 for completeness and overall context.

5. CONSULTATION

5.1 Consultation between relevant Council Officers, the Head of Finance, the Local Taxation section and key Heads of Service within the Peterborough-Serco Strategic Partnership was undertaken to provide the relevant information for this report.

6. ANTICIPATED OUTCOMES

6.1 It is anticipated that the Cabinet Member for Resources will approve the write-off of the debt amounts summarised in Appendix 1.

7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION

7.1 In all cases included in this Cabinet Member Decision Notice the authorisation for write-off is requested due to one of the following scenarios:

- a company being placed into administration of liquidation;
- the ratepayer is an individual being made bankrupt;
- the ratepayer is deceased with no further income due from the estate; or
- following extensive enquiries being made it has not been possible to trace the debtor and therefore collect payment.

7.2 It should be noted that approximately £4.0m of the debt being written off is in relation to companies that have gone into administration/ individuals being made bankrupt. In all appropriate cases, proof of debt has been lodged with the Administrators or Liquidators and either it has been confirmed that no dividend is payable or a final dividend payment has been received. Recovery action has therefore been exhausted and there is no further action that can be taken to obtain any further payments in relation to the debt. Table 2 in Appendix 1 summarises the rationale for the different reasons for write off decisions by year and by value.

7.3 All of the aged debt outlined in Appendix 1 has been fully provided for in the council's debt provisions in accordance with the council's debt provision policies, local accounting procedures and statutory accounting regulations. As a result, there has been no adverse impact on the Council's revenue position as a result of this write off exercise and no adverse financial impact as a result of not writing these debts off sooner. All debt recovery actions available to the council must be exhausted before outstanding debt can be recommended for write-off.

7.4 To further strengthen its debt collection procedures, the Council is currently reviewing all aspects of its accounts receivable processes to see whether any changes need to be made. This includes ensuring that all future debt write off exercises take place on a quarterly basis.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 The alternative option is to not write off this debt but this would result in an uncollectable debt continuing to be shown as outstanding and a bad debt provision for this debt. Once a debt is no longer collectable it should be written off in the Council's accounts and the debt provision adjusted accordingly.

8.2 All other alternative options available to the Council to collect the debt have already been undertaken before making a decision to recommend a debt for write off.

9. IMPLICATIONS

- 9.1 Financial and legal implications have been included within this report.
- 9.2 Section 151 of the Local Government Act 1972 requires a local authority to make arrangements for the proper administration of their financial affairs and the write-off of debts falls within such duties.

10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

None

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985) and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

There are no documents.

12. APPENDICES

Appendix 1 - Debt Write-Offs With A Value Over £10,000

Appendix 2 - Debt Write-Offs With A Value Under £10,000

Appendix 1 - Debt Write-Offs With A Value Over £10,000

Table 1: By financial year and % of total debt raised

Financial Year	Non Domestic Rates			Council Tax			Housing Benefit Overpayment			Sundry Debt		
	Write-off (Inc. costs of collection) (£)	Debt raised in year (£)	% Write-off in-year	Write-off (£)	Debt raised in year (£)	% Write-off in-year	Write-off (£)	Debt raised in year (£)	% Write-off in-year	Write-off (£)	Debt raised in-year (£)	% write-off in-year
Up to 2008/09	216,248	-	0.00%	18,100	-	0.00%	56,960	-	0.00%	205,433	-	0.00%
2009/10	186,304	86,843,886	0.21%	14,688	60,755,510	0.02%	10,853	1,757,300	0.62%	78,217	51,430,000	0.15%
2010/11	455,707	84,526,730	0.54%	10,771	62,681,765	0.02%	-	2,136,189	0.00%	78,443	51,450,000	0.15%
2011/12	464,754	89,444,197	0.52%	8,409	63,452,470	0.01%	-	2,182,339	0.00%	37,196	47,270,000	0.08%
2012/13	859,301	92,745,954	0.93%	2,379	65,889,575	0.00%	21,769	2,632,518	0.83%	176,287	48,540,000	0.36%
2013/14	668,950	94,532,290	0.71%	1,236	71,080,446	0.00%	42,954	3,224,687	1.33%	35,061	46,140,000	0.08%
2014/15	407,115	96,008,318	0.42%	-	73,109,247	0.00%	-	4,680,398	0.00%	82,468	45,140,000	0.18%
2015/16	309,664	100,664,032	0.31%	-	74,846,674	0.00%	-	3,975,023	0.00%	57,245	54,270,000	0.11%
2016/17	126,460	101,768,770	0.12%	-	79,093,000	0.00%	-	3,904,982	0.00%	295	56,610,000	0.00%
2017/18	4,550	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Total	3,699,053	746,534,177	0.50%	55,583	550,908,687	0.01%	132,536	24,493,436	0.54%	750,645	400,850,000	0.19%

Note – the profile above is impacted by the effects of the recession

Table 2: By financial year and write-off rationale

	Company/ ratepayer placed into Administration/ Liquidation/ Bankruptcy	Unable to trace the debtor and collect payment	The ratepayer is deceased with no further income due from the estate	Market case disputes being upheld/ amended following review	Court proceedings resulting in a suspended prison sentence and no further monies to be recovered	Renegotiation of a Section 106 agreement and specific company no longer liable	Recovery action exhausted following incorrect application of overpayments/ discounts being identified (prior to 2010)	Property leases surrendered - outstanding balances deemed non- recoverable	Statute barred - disputed debts and recovery action attempted but no longer not enforceable under the Limitation Act 1980	Other (legacy debts arising prior to 2011 where debt history/ records have been incomplete)	Total
Up to 2008/09	233,260	44,029	27,272	7,866	-	56,909	27,583	5,727	44,795	49,300	496,741
2009/10	240,982	22,259	-	-	-	-	5,044	6,966	14,811	-	290,062
2010/11	479,414	25,332	-	-	-	-	28,404	11,771	-	-	544,921
2011/12	488,765	16,422	-	824	-	-	1,178	3,170	-	-	510,359
2012/13	985,819	70,408	-	3,316	-	-	193	-	-	-	1,059,736
2013/14	631,510	53,988	30,442	9,249	12,512	-	10,500	-	-	-	748,201
2014/15	456,703	-	-	18,609	-	-	14,271	-	-	-	489,583
2015/16	352,565	-	-	7,344	-	-	7,000	-	-	-	366,909
2016/17	126,755	-	-	-	-	-	-	-	-	-	126,755
2017/18	4,550	-	-	-	-	-	-	-	-	-	4,550
Total	4,000,323	232,438	57,714	47,208	12,512	56,909	94,173	27,634	59,606	49,300	4,637,817

Appendix 2 - Debt Write-Offs With A Value Under £10,000

	Non Domestic Rates			Council Tax			Housing Benefit Overpayment			Sundry Debt		
Financial Year	Write-off (Inc. costs of collection) (£)	Debt raised in year (£)	% Write- off in- year	Write-off (£)	Debt raised in year (£)	% Write- off in- year	Write-off (£)	Debt raised in year (£)	% Write- off in- year	Write-off (£)	Debt raised in-year (£)	% write- off in- year
Up To 2008/09	133,206	-	0.00%	65,777	-	0.00%	12,416	-	0.00%	127,315	-	0.00%
2009/10	34,141	86,843,886	0.04%	26,305	60,755,510	0.04%	12,407	1,757,300	0.71%	64,789	51,430,000	0.13%
2010/11	10,696	84,526,730	0.01%	30,094	62,681,765	0.05%	11,610	2,136,189	0.54%	80,789	51,450,000	0.16%
2011/12	21,960	89,444,197	0.02%	28,017	63,452,470	0.04%	8,764	2,182,339	0.40%	75,379	47,270,000	0.16%
2012/13	58,978	92,745,954	0.06%	48,456	65,889,575	0.07%	2,992	2,632,518	0.11%	94,105	48,540,000	0.19%
2013/14	110,477	94,532,290	0.12%	116,784	71,080,446	0.16%	16,266	3,224,687	0.50%	55,286	46,140,000	0.12%
2014/15	85,919	96,008,318	0.09%	112,158	73,109,247	0.15%	1,229	4,680,398	0.03%	17,482	45,140,000	0.04%
2015/16	58,948	100,664,032	0.06%	159,027	74,846,674	0.21%	12,042	3,975,023	0.30%	12,483	54,270,000	0.02%
2016/17	28,119	101,768,770	0.03%	84,353	79,093,000	0.11%	17,728	3,904,982	0.45%	3,388	56,610,000	0.01%
2017/18	2,880	-	0.00%	7,496	-	0.00%	2,327	-	0.00%	2,658	-	0.00%
Total	545,324	746,534,177	0.07%	678,467	550,908,687	0.12%	97,782	24,493,436	0.40%	533,673	400,850,000	0.13%