

Meeting of Executive Member for Corporate Services and Advisory Panel

20th March 2007

Report of the Director of Resources

NATIONAL NON-DOMESTIC RATES/SUNDRY DEBTORS/COUNCIL TAX AND OVERPAID HOUSING BENEFIT ACCOUNTS SUBMITTED FOR WRITE-OFF

Summary

1. This report asks for Member approval to write-off irrecoverable accounts each one over £2,000 in value, for National Non-Domestic Rates (Annex A), Sundry Debtors (Annex B) and Housing Benefit Overpayments (Annex C) as per the attached Schedules.
2. The report provides details of the value of other irrecoverable accounts under £2,000 that have been written off under delegated authority in the current financial year. These accounts are for NNDR, Sundry Debts, Council Tax and Housing Benefit Overpayments.
3. This is the second submission of write-offs for 2006/07 by the Director of Resources, in line with arrangements to report on a regular basis, in order to keep accounts more up to date. The Executive Member for Resources approved the last report on 12th September 2006.
4. Cases where the debt is under £2,000 have been written off under the delegated authority given to the Head of Finance, debts identified as irrecoverable this year are as follows (amounts rounded). The 'year to date' figures refer to amounts written off under delegated authority since April 2006.

Fund	Year to Date £	This submission (Cases under £2000)	This submission (Cases over £2000)	Total in 06/07 £	Value of Bills Raised in 2006/07 £
National Non-Domestic Rates	184,020	6,479	141,615	332,114	74.7m
Sundry Debtors	39,612	63,143	4,720	107,475	52.8m
Council Tax	98,390	643,420	nil	741,810	70.3m

Overpaid Housing Benefit	49,879	58,864	6,902	115,645	0.84m
Overall Total	371,901	771,906	153,237	1,297,044	198.64m

Background

- 5 Since April 1990 the rates levied on all non-domestic properties have been set nationally and all monies collected are paid into the National Pool.
- 6 The amounts written-off for NNDR are offset against contributions to the Pool and, as such, all sums written off are met by Central Government rather than by local Council Tax payers.
- 7 Sundry Debtor charges are raised for goods and services that have been provided by the individual departments within the Authority. These charges include such services as commercial waste collection, shop rents, works carried out by DLO, housing repairs, homecare and warden call.
- 8 Housing Benefit overpayments occur when a customer receives more benefit than they are legally entitled to. The main reason why these occur is usually due to a failure by customers to report changes in their circumstances (whether fraudulent or otherwise). When it is not possible to recover the overpayment by reducing future payments of benefit, the customer is sent an invoice for payment.
- 9 During the process of collection of all debts, it is apparent to Managers within Financial Services that, for a number of reasons, particular debts will not be honoured by the debtor concerned. These debts become irrecoverable and must be considered for write-off to allow prudent management of the debt portfolio.
- 10 Members have given delegated authority to the Head of Finance to write-off debts up to a maximum value of £2,000 per debt. The purpose of this report is to advise Members of the amount written off by the Head of Finance under delegated authority and to propose the write-off of a number of other debts in excess of this delegated limit.

NATIONAL NON-DOMESTIC RATES

- 11 There are several accounts for fourteen individual businesses totalling £141,615 the individual accounts are listed in Annex A, which are put forward for write off under the following category:

Customer Bankrupt – No Dividend likely

- 12 It is proposed that the Executive Member approve write-off of these Non-Domestic accounts as all the fourteen businesses listed are bankrupt or in liquidation and no dividend is likely. The total amount written off under this category is £141,615 (Table shown in para. 4) (The Executive Member should note that all monies written off under this category have had claims registered with the appropriate bodies. If a dividend is forthcoming in future financial years, then that value will be credited back to the Government's accounts and reduce the overall amount of the debts that have been written off.)

SUNDRY DEBTS

- 13 For the 11 months to the end of February 2007, £52.8m of accounts have been sent out. It is proposed to write-off the £4,720 in an individual account. The debt falls into the following category.

Judgement Awarded – Enforcement Failed To Obtain Payment

- 14 SDREF 21 owes £4,720 including legal fees, which relates to private residential care in respect of the debtors relation. The debt is outstanding from March 2003. A County Court Judgement was obtained, after which, the bailiffs failed to obtain payment from the debtor.

HOUSING BENEFIT OVERPAYMENTS

- 15 It is proposed to write off £6,902 in respect of housing benefit overpayments, the Benefits Agency has given approval for any debt, not already being recovered, over 7 years old to be written off.

Customer Bankrupt – No Dividend likely

- 16 The overpayment in respect of HBREF 24 is for a period in 1999 with the original debt being £4,355. The debtor had an outstanding balance of £2000 when made bankrupt in November 2006.

Uneconomical to Pursue Further – unable to establish means after reasonable attempts

- 17 HBREF 25 owes £2,435 for a period relating to June 2002. There has been no response from letters and tracing agencies. Since August 2002 the debt has been in dispute until November 2004 after which time we have been unable to trace the claimants whereabouts after the normal traces and bailiffs have failed to locate the debtor.
- 18 The overpayment for HBREF 26 dates back to April 1999, the original debt was for £3,611, some recovery was made by 'claw back' from the debtors benefit, this reduced the debt to £2,466. Unfortunately, since June 2005 we have been unable to trace the debtor and as the debt is over 6 years old it is uneconomical to pursue further.

Consultation

19 Not relevant to this report.

Options/Analysis

20 The very nature of debt recovery inherently involves the identification of debts that will not be paid and a recognition that such debts become irrecoverable and must be written off. As illustrated above there are a number of reasons why debts become irrecoverable and are written off.

21 Financial regulations and prudent financial management dictate that provision for bad debts is made in the Council's accounts. The following provision has been made in the Council's accounts in 2006/07 (rounded to the nearest '000):

	£k
NNDR	1,440
Sundry Debtors	448
Council Tax	2,957
Community Charge	2
Overpaid HB	1,798

22 The values for write off this financial year fall well within the bad debt provision.

23 In the context of the total charges raised by the Council, write offs to date represent:

Year	Total Charges Raised £	Total Value Written off £	Percentage written off
<u>National Non-Domestic Rates</u>			
2006/07	74,725,557	1,113	>0.00%
2005/06	69,540,029	79,836	0.11%
2004/05	68,200,000	169,595	0.24%
2003/04	67,624,223	185,416	0.27%
2002/03	62,559,370	136,853	0.21%
2001/02	60,840,448	100,712	0.16%
2000/01	56,766,000	20,825	0.03%
<u>Sundry Debtors</u>			
2006/07	52,876,432	1,551	>0.00%
2005/06	52,330,126	12,718	0.02%
2004/05	36,986,021	75,105	0.20%
2003/04	41,656,971	306,085	0.73%
2002/03	34,543,460	71,508	0.20%

2001/02	26,204,508	50,229	0.19%
2000/01	24,927,733	56,407	0.22%
<u>Council Tax</u>			
2006/07	70,388,994	1,399	>0.00%
2005/06	66,564,805	55,637	0.08%
2004/05	62,900,000	249,108	0.39%
2003/04	57,100,000	227,123	0.39%
2002/03	49,800,466	547,078	1.09%
2001/02	49,900,000	562,071	1.12%
2000/01	46,300,000	611,488	1.32%
<u>Overpayment Of Housing Benefit</u>			
2006/07	841,495	1,781	>0.21%
2005/06	1,653,350	9,423	0.56%
2004/05	725,982	36,701	5.05%
2003/04	665,271	88,887	13.36%
2002/03	516,204	76,618	14.84%
2001/02	608,528	120,528	19.80%

Corporate Objectives

- 24 It would be counter productive to try and chase debts that we are aware are irrecoverable and it is more efficient to utilise Officer resources in pursuing debts that are recoverable.

Implications

- 25 Not relevant to this report.

Risk Management

- 26 Not relevant to this report

Recommendations

- 27 That the Advisory Panel advise the Executive Member :
- 28 To approve for write-off the amount of £153,237 shown in para. 4, (the individual debts are listed in the attached annexes), taking note that each debt has a greater value than £2,000.
- 29 That the Advisory Panel advise the Executive Member:

- 30 To note the amount of £771,906 (shown in para. 4) of accounts valued at less than £2,000 written off in the 12 months to 31st March 2007 under the Head of Finance's delegated authority.

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**For further information please contact the author(s) of the report
Background Papers**

Files can be found at the Local Taxation Section and Customer Accounts Section City Finance Centre Library Square.

Annexes attached to the report:

Annex A – NNDR Write Offs Over £2,00 **Confidential**

Annex B – Sundry Debt Write Offs Over £2,000 **Confidential**

Annex C – HB Overpayments Over £2,000 **Confidential**