

NORTH LINCOLNSHIRE COUNCIL

**POLICY AND FINANCE
CABINET MEMBER**

UNCOLLECTABLE DEBT 2015/16

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 This report provides an annual review of debt due to the council and focuses on those debts which are proving difficult to collect. This includes debts carried over from previous financial years.
- 1.2 It provides information on the council's continuing high collection rates for council tax and business rates and provides assurance that all appropriate measures are taken to recover monies due to the Council.
- 1.3 It advises the Cabinet Member of debts written off under delegated powers and seeks approval to write-off a number of debts over £5,000. This can be for a range of reasons including bankruptcy, death or the debtor has gone away and cannot be traced.
- 1.4 The key points in this report are as follows:
 - The debt put forward for write-off will remain in the Council's records and will be available for collection in the future should circumstances change. In the last 12 months approximately £57,000 of previously written off debt was recovered.
 - The Council's collection rate for council tax continues to be above average when compared both regionally and nationally, and is on par for NNDR.
 - A provision for uncollected debt is already provided for in the council's budget and financial plan.

2. BACKGROUND INFORMATION

- 2.1 The council has arrangements for the collection of a wide range of debts. The most significant are council tax and business rates (NNDR), but there are other monies due to the council such as: housing benefit overpayments; charges for services provided; and the collection of car parking fines.

- 2.2 There are circumstances which can make debt unavailable for collection (a person is deceased, missing, or has filed for bankruptcy; a business has gone into administration) or uneconomical to collect (the cost of collection outweighs the amount of debt). In these circumstances the debt is written-off in the council's accounts but kept on the council's records should circumstances change. This is a prudent approach to ensure that the council does not spend income it cannot reasonably expect to collect.
- 2.3 The council takes positive steps to ensure all debt recovery options are explored prior to recommending write off and these actions include; use of tracing services, financial searches, social media searches, enforcement agents, earnings attachments, payment arrangements, court actions and summons.
- 2.4 It is important to note that once written off the debts will remain in the Council's records and available for payment in the future should this be appropriate. For example in the past 12 months £7,080 of council tax debt and £49,952 of NNDR previously written off has been recovered due to tracing debtors or account adjustments.
- 2.5 The write-off of debts also needs to be seen in the context of collection rates. North Lincolnshire Council has a good record for collection of debts.

Comparison of Collection Rates 2014/15	National %	Unitary %	Humber Councils %	NLC %
Council Tax in-year collection	97.0	96.8	96.3	97.5
NNDR	98.1	97.9	98.1	98.0

3. OPTIONS FOR CONSIDERATION

- 3.1 The Council's Financial Regulations give the Director of Policy and Resources delegated power to write-off any debt up to £5,000.
- For Council Tax, National Non Domestic Rate (NNDR), Housing Benefit Overpayments and Sundry Debtors following all recovery action the debts for write-off are identified in **Appendix 1** with the reasons for write-off. Details of particular cases are available to the cabinet member.
- 3.2 For Car Parking Penalty Charge Notices there are no debts over £5,000, and the period of write-off covers the period 01/01/2014 to 31/12/2014.
- 3.3 For Creditors there are instances where suppliers owe the council. These occur where the council has paid for goods/services but for various reasons it subsequently transpires that the goods are returned or service not provided and the supplier issues a credit note. If further invoices of sufficient value are not received from the supplier to offset the credit note a refund is then requested. Following all possible action to obtain a refund the amounts owed

by suppliers identified for write-off are either irrecoverable or uneconomical to pursue.

- 3.4 Overpayments are investigated and refunds issued. However, where there has been no response to the council's correspondence, or no forwarding address is known, under delegated powers the Director of Policy and Resources has written-off the credit balances. A refund will still be issued where details become known in the future.

4. ANALYSIS OF OPTIONS

- 4.1 A periodic review of outstanding debts is necessary for North Lincolnshire Council to ensure effective management of outstanding debt. The amounts in this report are in accordance with prudent accounting methods and bad debt provisions within the annual accounts.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 The total amounts by category are;

	<u>2015/16</u>
Council Tax	£500,305.70
National Non Domestic Rate	£772,286.76
Housing Benefit Overpayment	£105,265.55
Sundry Debtors	£256,079.81
Car Parking Penalty Charge Notices	£ 67,989.66
Creditors	£ 2.20

The council's financial plans already include anticipations of uncollectable debt. The above write-offs are within allowances already made so there is no impact on the council's resources for 2015/16.

Appendix 1 categorises whether the debt to be written-off is under or over £5,000. Of the total debt presented for write-off, 45.37% relates to accounts over £5,000 and which requires approval to be written-off.

- 5.2 There are no staffing, property or I.T implications.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 Not applicable.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 7.1 No consultation is required in respect of Council Tax, National Non Domestic Rate (NNDR), Housing B enefit O verpayments, C ar Parking P enalty C harge Notices and Creditors.
- 7.2 In respect of Sundry Debtors the appropriate Service departments have either requested approval f or w rite-off or b een i nformed by t he S undry D ebtors section that approval will be requested.
- 7.3 There are no known conflicts of interest to declare.

8. RECOMMENDATIONS

- 8.1 That t he de bts w ritten-off under delegated powers listed in Appendix 1 are noted.
- 8.2 That approval is given to write-off debts over £5,000 listed in Appendix 1.
- 8.3 That t hese de bts w ill r emain i n t he C ouncil`s records and ava ilable for payment in the future should they become available.
- 8.4 That t he cabinet member notes the continued high collection rate o f N orth Lincolnshire Council in comparison to other local authorities.

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Background Papers used in the preparation of this report:
Detailed write off summaries

ANALYSIS OF DEBT WRITE-OFFS**APPENDIX 1**

	Under £5,000 £	Over £5,000 £
Council Tax		
Small balances, uneconomic to pursue	5,467.30	0.00
Living Abroad	14,827.97	0.00
Deceased, no estate	28,633.87	0.00
Gone away, no trace	405,662.43	6,167.34
Bankrupt/Liquidation	35,835.03	0.00
Irrecoverable	3,653.91	0.00
In Prison	57.85	0.00
Total	<u>494,138.36</u>	<u>6,167.34</u>
NNDR		
Small balances, uneconomic to pursue	469.62	0.00
Gone away, no trace	49,364.41	30,541.01
Insolvency	21,580.17	456,473.29
Company Dissolved	25,093.99	151,589.21
Ceased Trading	- 6,574.81	35,475.85
Irrecoverable	7,378.62	0.00
Living Abroad	895.40	0.00
Total	<u>98,207.40</u>	<u>674,079.36</u>
Housing Benefit Overpayments		
Small balances, uneconomic to pursue	363.87	0.00
Deceased, no estate	3,025.11	20,644.10
Residential Care	0.00	0.00
Recovery procedure exhausted	59,056.87	0.00
Insolvency	14,729.21	6,085.68
In prison	0.00	0.00
Abroad	1,346.63	0.00
Vulnerable	14.08	0.00
Small untraceable refunds	0.00	0.00
Total	<u>78,535.77</u>	<u>26,729.78</u>
Sundry Debts		
People	133,784.96	31,050.05
Places	56,244.18	22,551.02
Policy and Resources	849.83	11,605.48
Small untraceable refunds	- 5.71	0.00
Total	<u>190,873.26</u>	<u>65,206.55</u>
Car Parking Penalty Charge Notices	67,989.66	0.00
Creditors	2.20	0.00