

NORTH LINCOLNSHIRE COUNCIL

**POLICY AND RESOURCES
CABINET MEMBER**

DEBT RECOVERY 2013/14

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 Council's collection rates continue to be above average when compared both regionally and nationally
 - The total amount of uncollectable debt has reduced significantly compared to 2012/13
 - A provision for uncollected debt is already provided for in the council's budget and financial plan
 - These debts will remain in the Council's records and are available for collection in the future should circumstances change. In the last 12 months approximately £60,000 of previously written off debt was recovered.

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 councils 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 full range of debt recovery processes have been undertaken in the pursuit of these debts in accordance with Council policy; but there will always be cases where payment of debt cannot be secured.
- 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 £5,948 of council tax debt, £52,853 of NNDR and £659 Sundry Debtors previously written off has been recovered due to tracing debtors or account adjustments; and in respect of benefit overpayment several people have reapplied for benefit so recovery from ongoing benefits has become possible.
- 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 2012/13	National	Unitary	Humber Councils	NLC
	%	%	%	%
Council Tax in-year collection	97.4	97.3	97.4	98.0
NNDR	97.7	97.4	97.8	98.7

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 01/01/2012 to 31/12/2012.
- 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 in the annual accounts.

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

5.1 The total amounts compared to the previous year show a significant overall reduction:

	<u>2013/14</u>	<u>2012/13</u>
Council Tax	£ 92,312.79	£160,054.10
National Non Domestic Rate	£391,935.94	£551,026.22
Housing Benefit Overpayment	£ 74,454.11	£ 32,290.59
Sundry Debtors	£195,900.71	£197,405.52
Car Parking Penalty Charge Notices	£ 81,764.31	£185,289.60
Creditors	£ 245.01	£ 1,779.78

The council's financial plans already allow for a level of uncollectable debt. The write offs in this report are within allowances already made so there is no impact on the council's resources for 2013/14.

5.2 In respect of the changes to prior financial year the main considerations are:

Council Tax – In 2012/13 an exercise was undertaken to identify and take appropriate action to recover all small balances on old accounts. Several were found to be irrecoverable and put forward for write off. During 2013/14 the council are taking recovery action for smaller balances.

NNDR – The 2012/13 write offs included one account for £158,426, which inflated the total write off figure. The account belonged to a company which ceased trading and the legal advice was not to continue with lengthy and costly court action.

Housing Benefit Overpayments – The current year includes three accounts with high balances, inflating the 2013/14 total by £41,000.

Car Parking Penalty notices – The prior year included the cumulative effect of two calendar years for 2010 and 2011.

5.3 There are no staffing, property or IT 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 Benefit Overpayments, Car Parking Penalty Charge Notices & Creditors.

7.2 In respect of Sundry Debtors the appropriate Service departments have either requested approval for write-off or been informed by the Sundry Debtor section that approval will be requested.

7.3 There are no known conflicts of interest to declare.

8. RECOMMENDATIONS

8.1 That the cabinet member notes the continued high debt collection rate of North Lincolnshire Council in comparison to other local authorities.

8.2 That the debts written-off under delegated powers listed in Appendix 1 are noted

8.3 That approval is given to write-off debts over £5,000 listed in Appendix 1

8.4 That these debts will remain in the Council's records and available for payment in the future should they become available.

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Background Papers used in the preparation of this report:

ANALYSIS OF DEBT WRITE OFFS**APPENDIX 1**

	Under £5,000 £	Over £5,000 £
Council Tax		
Small balances, uneconomic to pursue	6,508.07	
Living Abroad	19,310.92	
Deceased, no estate	19,549.08	
Gone away, no trace	794.31	
Bankrupt/Administration	40,932.64	
Post bailiff, unable to take committal action	4,466.84	
In hospital	750.93	
Total	<u>92,312.79</u>	
NNDR		
Small balances, uneconomic to pursue	41.72	0.00
Gone away, no trace	13,151.03	38,883.39
Bankrupt/Liquidation/Administration	58,490.33	194,599.39
Company Dissolved	12,242.84	28,140.38
Ceased Trading	-514.35	0.00
Post bailiff, unable to take committal action	14,241.63	32,659.58
Total	<u>97,653.20</u>	<u>294,282.74</u>
Housing Benefit Overpayments		
Small balances, uneconomic to pursue	290.40	0.00
Deceased, no estate	6,246.04	13,333.98
Residential Care	1,737.54	0.00
Recovery procedure exhausted	10,238.83	6,042.00
Insolvency	8,217.94	28,347.38
Total	<u>26,730.75</u>	<u>47,723.36</u>
Sundry Debts		
People	75,365.33	27,463.24
Places	90,778.07	0.00
Policy and Resources	2,294.07	0.00
Total	<u>168,437.47</u>	<u>27,463.24</u>
Car Parking Penalty Charge Notices	81,764.31	0.00
Creditors	245.01	0.00