

CABINET

9 AUGUST 2016

DEBT WRITE OFFS

Portfolio Holder: Councillor Alan Jarrett, Leader

Report from: Phil Watts, Chief Finance Officer

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Summary

This report seeks to inform the Cabinet of the level of debt raised, collected and written off, as well as debt outstanding.

1. Budget and Policy Framework

1.1 Following an Internal Audit report last year it was agreed by Full Council, as part of the review of the Constitution, that the Cabinet receive annual reports regarding the level of write offs made in respect of income due in respect of the following services:

- Business Rates
- Council Tax
- Housing Rents
- Social Care
- Sundry Debtors
- Car Parking

1.2 The requirement to report to Cabinet on an annual basis is set out in Part 5 (financial limits) of Chapter 3 of the Constitution.

2. Background

2.1 Summary of Debt

2.1.1 Appendix A shows the level of debt raised, collected, written off and still outstanding for the years 2012/13 to 2015/16.

2.2 Why is Debt Written Off?

2.2.1 Although there are many systems in place to monitor debt levels and to take the appropriate action in recovering debt due, debt will still be written off for a number of reasons including the following:

- Business ceases to trade with insufficient funds to repay debt;
- Bankruptcy of an individual;
- Death of debtor with insufficient monies to recover from an estate;
- Inability to trace debtor.

2.3 Reducing the Level of Debt to be Written Off

Whilst accepting that debt write off is always a potential outcome for any debt raised, it is important that this is kept to a minimum. There are procedures in place for recovery of all of the broad categories of debt as follows:

2.3.1 Business Rates

Debt is monitored with systems in place to act quickly and promptly to act on any arrears that arise

2.3.2 Council Tax

Debt is monitored with systems in place to act quickly and promptly to act on any arrears that arise. There is a continual move towards asking people to pay by direct debit in order to regularize payments and reduce arrears. Work was carried out last year in respect of bringing about behavioral change and early indications are that this has assisted with collection

At the beginning of each financial year each tax payer will have an annual bill requesting statutory instalments normally over 10 months. A reminder is issued if an instalment is missed and legally this should be paid within 7 days. If the taxpayer pays the reminder within 7 days, and then fails to pay on a second occasion then a further reminder will be produced, this reminder also advises that if they are found to be in arrears on a third occasion that the full amount due to the end of the financial year will become payable. A final notice is issued to request the full balance following the further reminder.

The council will enter into arrangements at reminder and final notice stage and will encourage payment by direct debit in order to prevent further recovery action.

If the taxpayer is unable to enter into a suitable arrangement or doesn't make contact the legislation suggests that the next course of action is to make complaint to the Magistrates Court and they will issue a summons for each case that remains unpaid, this action currently incurs £80.00 in summons costs, this is the taxpayers contribution towards the costs of issuing the proceedings.

The council will then proceed to apply for a liability order and this opens up further recovery remedies:

- A request for further information can be made: which includes employment / benefit details and the opportunity to make an offer to repay the sum due.
- This can lead to an attachment to earnings order.
- Third party deductions from Employment and Support Allowance / Job Seekers Allowance/ Income Support and Pension Credits.
- Enforcement Agent Action.
- Committal proceedings

- Charging order proceedings
- Bankruptcy.

Following the granting of the liability order we send a letter requesting payment within 14 days, this is accompanied with a personal information form requesting the further information and proposal to repay if the taxpayer is unable to pay in full.

2.3.3 Housing Rents

Lessons learnt from the behavioral changes brought in for Council Tax are going to be looked at with a view to application within Housing.

The work carried out within Housing has seen the current arrears reduce to the lowest levels for many years. This means that there should longer term be less debt moving to former accounts. Records are also kept for former tenant arrears so if they were to become tenants again recovery action is taken by way of a sub account

As well as using the Housing Benefits Team and other colleagues, the Housing Team are also trialing use of a tracing agency to recover the top ten highest cases.

2.3.4 Social Care

There is a need to ensure financial assessments are carried out accurately and as soon as possible after the care assessment, in order that accounts do not start with arrears, which in turn makes it harder for the Council to collect monies due.

Care and support packages must be input promptly to the social care system to enable charges to be applied. Any delay in inputting the care package means that backdated charges are created some of which may end up being written off.

In line with Care Act guidance, a robust debt monitoring system is in place. This involves telephoning service users, followed up by a series of reminder letters. Visits to debtors are also carried out; some of which are pre-arranged and others "cold calls". The Care Act also recommends negotiation, mediation and arbitration take place before court action.

It is important to note that the Care Act states "when designing their system for debt recovery in social care, local authorities should be aware of the population they are dealing with. Unlike council tax or rent arrears debt, the local authority is not dealing with the general population". Furthermore, we are still obliged to provide care even if the service user does not pay.

It should be noted that the apparently high levels of outstanding debt are to a large extent the result of deferred charges being placed on the service user's property. This makes the debt secure, but clearly has implications for the Council's cash flow.

Work is also being undertaken using Behavioral Insights techniques.

2.3.5 Sundry Debtors

With the digital transformation underway there will be a move towards payments being received in advance of the service being delivered by the Council. In addition services that are ongoing, eg. commercial rents have moved to direct debit payment resulting in arrears being identified earlier so increasing the prospect of recovery of the income due to the Council .

2.3.6 Car Parking

The Council are using three bailiffs to collect outstanding debt and this service is continually reviewed so that the bailiffs are kept motivated. PCN has a life span of three years which is why they are working towards collecting this debt

3. Options

- 3.1 The Constitution requires that a report is brought to Cabinet each year so that it is fully appraised on the level of write offs being undertaken

4. Advice and analysis

- 4.1 Various steps are laid out in the background section of this report above highlighting action taken within each area to reduce the risk of a debt not being collected
- 4.2 The Council in accordance with good financial practice have created a provision for bad debt in order that debts that are required to be written off can be met from these provisions to ease the financial pressure in any one year. Below is a summary of the provisions as at 31st March that are currently allocated as follows:

Debt Category	2015/16 Debt			Total Debt	
	Debt Raised in 2015/16	2015/16 Debt Collected to date	2015/16 Debt Written off to date	Cum. Debt Outstanding 31/03/16	Bad Debt Provision
	£000's	£000's	£000's	£000's	£000's
Business Rates	91,071	89,824	190	4,835	2,813
Council Tax	114,680	110,417	89	13,070	2,759
Housing Rents *	15,124	14,564	106	747	530
Social Care	12,240	10,452	37	5,308	936
Sundry Debtors	22,313	20,133	3	7,087	1,083
Car Parking **	1,722	1,385	10	1,041	0
Total	257,150	246,775	435	32,088	8,121

* Housing Rent arrears are recorded different and the first three columns represent cumulative debt

** Car parking income is not accounted for until paid, so no provision required

5. Risk management

- 5.1 The approach is managed within each service area as laid out in the background section of this report which has identified issues specific to each area.

6. Financial and legal implications

6.1 The financial implications are set out in the body of the report.

6.2 There are no direct legal implications for this report.

7. Recommendation

7.1 The Cabinet is asked to note the report.

8. Suggested reasons for decision

8.1 The Cabinet is required to receive this report on annual basis.

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Appendices

Appendix A - Level of Debts Raised, Collected, Written Off & To Be Collected

Background papers

None

Level of Debts Raised, Collected, Written Off & To Be Collected

Business Rates	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's
Gross Debt raised (Amount collectable after discounts & exemptions)	85,329	87,231	88,308	91,071
Debt Collected	-84,148	-85,839	-86,783	-89,824
Debt Written Off	-884	-819	-461	-190
Debt Outstanding as at 30th June 2016	297	573	1,064	1,057
Council Tax	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's
Gross Debt raised (Amount collectable after discounts & exemptions)	99,173	106,579	110,520	114,680
Debt Collected	-97,934	-104,681	-108,035	-110,417
Debt Written Off	-602	-630	-386	-89
Debt Outstanding as at 30th June 2016	637	1,269	2,099	4,174
Housing Rents	2012/13	2013/14	2014/15	2015/16
(This is a rolling balance instead of year specific)	£000's	£000's	£000's	£000's
Balance Outstanding 1st April	1,418	1,425	973	870
Payments made in Advance 1st April	-206	-212	-246	-263
New Debt Raised	13,278	13,932	14,127	14,517
Total Debt Due	14,490	15,145	14,854	15,124
Debt Collected	-13,146	-14,005	-14,155	-14,564
Write Offs	-132	-414	-91	-106
Balance Outstanding 31st March	1,425	973	870	747
Payments made in Advance 31st March	-212	-246	-263	-292
Social Care Debt	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's
Amount Due	12,255	12,280	12,257	12,240
Debt Collected	-11,908	-11,662	-11,268	-10,452
Debt Written Off	-139	-119	-95	-37
Debt Outstanding as at 30th June 2016	208	499	895	1,751
Sundry Debts	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's
Amount Due	30,106	28,812	28,192	22,313
Debt Collected	-29,875	-28,366	-27,201	-20,133
Debt Written Off	-65	-54	-15	-3
Debt Outstanding as at 30th June 2016	166	392	976	2,178
Car Parking	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's
Amount Due	2,031	1,794	2,010	1,722
Debt Collected	-1,776	-1,455	-1,516	-1,385
Debt Written Off	-188	-198	-39	-10
Debt Outstanding as at 30th June 2016	68	140	455	328