

Overview & Scrutiny Board

16th February 2015

QUARTERLY MONITORING OF WRITE OFFS AND INCOME MANAGEMENT

- 1ST OCTOBER 2014 – 31ST DECEMBER 2014

| | |
|----------------------------|---------------------------------------------------------------|
| Relevant Portfolio Holder | Councillor Mike Webb |
| Portfolio Holder Consulted | Yes |
| Relevant Head of Service | Amanda de Warr, Head of Customer Access and Financial Support |
| Wards Affected | All |

1. SUMMARY OF PROPOSALS

- 1.1 This report summarises the write off of debts during the third quarter of 2014/15 along with the profile and level of outstanding debt.

2. RECOMMENDATIONS

That subject to any comments, the Overview & Scrutiny Board NOTE the contents of the report.

3. KEY ISSUES

- 3.1. The current Write Off Policy requires officers to report to members the actual level of write offs and the profile of outstanding debt.

- 3.2. The current bad debts provisions are as follows:

| | |
|------------------------------|---------|
| | £ |
| Housing benefit Overpayments | 485,363 |
| NDR | 224,907 |
| Council Tax | 214,937 |
| Sundry Debtors | 31,493 |

Financial Implications

- 3.3 Details of written off debts during the period for Council Tax, Non Domestic Rates, and Sundry Debts, including a break down of the number of debtors, and Overpaid Housing Benefit are attached at Appendix 1.
- 3.4 A total of £127,625 of unrecoverable debt was written off during this quarter. This brings the total write off so far for 2014/15 to £237,526, which is within the bad debt provision.
- 3.5 The following table shows the value and number of accounts of write off for 2013/14 and to date this financial year.

| | 2013/14 | | | | 2014/15 | | |
|--------------------|----------|---|--------|---------|---------|--------|---------|
| Quarter | 1 | 2 | 3 | 4 | 1 | 2 | 3 |
| Total Write off | *265,102 | | 55,353 | 117,036 | 62,966 | 46,935 | 127,625 |
| Number of Accounts | *863 | | 115 | 1,162 | 244 | 102 | 161 |

* Quarters 1 and 2, 2013/14 were reported jointly.

SUNDRY DEBTS

- 3.6 Invoices to the value of £3,620,913 have been raised to date during 2014/15. £665,514 of debt was carried forward from 2013/14. It is important to mention that this was not necessarily overdue. During 2014/15 £3,386,928 has been collected to date.
- 3.7 An age profile of the outstanding sundry debts at the end of the quarter is attached at Appendix 2 (Tables 1 – 3). The data for the same period in 2013 is provided for comparative purposes where possible. Tables showing the debt and billing profile each month are also included.
- 3.8 Table 4 shows the significant increase in debt in November due to garden waste invoices being generated, but these do not become due until 1st February. Although many people pay in the intervening period many don't and it shows in the data as an increase in debt over 30 days old.
- 3.9 Changes to the way customers are billed will impact on the 'aged debt' data from 1st April 2015. In order to make it easier for customers, where an ongoing service is provided, customers will be billed once for the whole year but able to spread the payments over a variety of payment plans. This will mean that the value of debt will be greater at the start of the year and then reduce over the year. Officers will look at the most effective way of reporting this information.
- 3.10 Table 5 provided further detail about the numbers of invoices raised and outstanding and the numbers of invoices that are followed up by 1st and 2nd reminders.
- 3.11 1st reminders are issued 7 to 14 days after the due date giving a further 7 days in which to pay. Failure to pay results in a 2nd reminder being issued, which warns that failure to pay could result in court or legal action, or the withdrawal of service. This latter invariably prompts payment.
- 3.12 If payment is still not received this is reported to the service who then decides on next steps. Referral to bailiffs is very low and for this financial

year to date only around 15 cases. The costs of bailiff collection is not currently passed on to the customer.

COUNCIL TAX AND NON DOMESTIC RATES

- 3.13 An analysis of Council Tax and Non Domestic Rates arrears is attached at Appendix 3. This shows the current outstanding debt against each of those years which we continue to pursue.
- 3.14 All Council Tax and NDR becomes due on 1st April but reduces each month as instalments are paid. Arrangements are in place for much of the outstanding debt from recent previous years and therefore slowly reducing over time. Older debt tends to be in varying stages of recovery. We do not write off any debt until we have exhausted all possible avenues to recover.
- 3.15 1st reminder, 2nd reminder and final notices are sent around the 28th of each month, unless it is an account which previously had liability orders attached in which case reminders go out sooner on the 16th of the month.
- 3.16 If the account is brought up to date after the first reminder, but it falls behind for a 2nd time another reminder notice will be issued giving 7 days notice, if the account is brought up to date instalments will continue.
- 3.17 Regulations only allow for 2 reminders in any financial year therefore if an account is brought up to date but then falls behind for a 3rd time a final notice is issued.
- 3.18 The final notice cancels the right to instalments and the whole balance becomes due.
- 3.19 For accounts where there is a recovery history with liability orders having been previously applied a reminder is issued on the 16th of the month with a 2nd reminder run early in the following month. Non payment of instalments due will move these accounts to final notice stage.
- 3.20 We reinstate instalments if contact is made and a payment arrangement is agreed.
- 3.21 1st and 2nd reminder notices give 7 days to bring the account up to date and the final notice gives 7 days to pay in full.
- 3.22 If a final notice has been issued and no contact has been made a summons will be issued on the first available date following 7 days from the issue of the final notice.

- 3.23 The exact timing for the issue of a Summons to appear at the Magistrates Court is dependent on court dates, which are set by the Court.
- 3.24 The court date will be 14 days after the summons has been served; and if the magistrate is satisfied that we have followed the correct procedures then a liability order is granted with costs, which are applied to the account thus increasing the debt.
- 3.25 A letter requesting details of income is issued the day after the liability order hearing. This notice also outlines the further action that we may take including an outline of enforcement agent costs. The account holder has 14 days in which to respond. Bailiff costs are also applied to the account.
- 3.26 All further action from this point is manual and there is no set timetable.
- 3.27 As previously requested details of the top 10 highest outstanding debts are attached at Appendix 4. The reasons for these debts are generally a refusal to pay.

Legal Implications

- 3.28 Members have previously requested that details of write off's be disclosed. Whilst it would be possible to disclose write-offs relating to some business accounts (excluding sole traders, as their private address is often cited), details relating to Council Tax, Housing Benefit Overpayments and many Sundry Debts cannot be disclosed under the principles of the Data Protection Act, detailed below:

Principle 1 - Customers would not reasonably expect anyone other than those processing Council Tax, to use their information. The only time it would be unexpected and lawful, is under Section 29, Collection of Taxes, when we can disclose information to the police or HMRC, etc for the prevention and detection of crime.

Principle 2 - The information was collected for a specific reason and it would be unlawful and unfair to share it or use it for another purpose.

Principle 6 – Data subjects have a right to claim damages for a breach of the Act. You have to demonstrate you took all reasonable care in the circumstances to avoid the breach as part of your defence. It may not cause damage, but it could cause distress.

Principle 7 – Security. Measures should be taken to prevent unauthorised and unlawful processing, i.e., people access data within the scope of their role.

Service / Operational Implications

- 3.29 Changes to housing benefits as a result of the introduction of Universal Credit is going to have an impact on our ability to collect overpayment of housing benefits debts. It has been confirmed that outstanding overpayments will not transfer to DWP. The Council can continue to recover the debts but in reality the ability to do so will be significantly reduced as we will not be able to attach repayments to benefits being paid. Currently any overpayment recovered retained by the Council and not repaid to DWP. The value of the recovered overpayments are relatively small and taken over a long period of time, therefore the costs of the administrative work required to try recover overpayments is likely to be more than the money received.

Customer / Equalities and Diversity Implications

- 3.30 Every option is explored to recover outstanding debts and staff work with individuals to try to find suitable solutions. In some cases pursuing a debt is going to lead to such hardship that a write off is the most appropriate option. However, if circumstances change a case can be re-opened.

4. RISK MANAGEMENT

- 4.1 Due to the issues raised in 3.28 there is likely to be an increase in write offs in the coming years.

5. APPENDICES

Appendix 1- Write offs 1st July – 30th September 2014

Appendix 2- Debt Profile for Sundry Debts Arrears as at 31st December 2014

Appendix 3 - Council Tax and Non Domestic Rates Arrears Analysis

Appendix 4 – Top Ten outstanding debts

6. BACKGROUND PAPERS

There are no background papers to this report.

AUTHORS OF REPORT

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BROMSGROVE DISTRICT COUNCIL

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Appendix 1

Write Offs - 1st October 2014 – 31st December 2014

| Council Tax | Amount (£) | Number of Accounts |
|-----------------------------------|-------------------|---------------------------|
| Gone away | 729.11 | 2 |
| Bankruptcy | 12,586.25 | 18 |
| Uneconomical to pursue | 1,093.11 | 13 |
| Other | 327.37 | 2 |
| Costs written off | 995.97 | 16 |
| Auto Balance Write Off (archived) | 307.19 | 2 |
| Total | 16,039.00 | 53 |

| NDR | Amount (£) | Number of Accounts |
|------------------------|-------------------|---------------------------|
| Gone away | 61,259.84 | 28 |
| Company dissolved | 9,070.85 | 4 |
| Bankruptcy | 10,904.23 | 11 |
| Liquidation | 3,373.23 | 1 |
| In Administration | 10,992.19 | 2 |
| Uneconomical to pursue | 227.83 | 2 |
| Other | 4,227.11 | 5 |
| Costs written off | 2,024.00 | 23 |
| Total | 102,079.28 | 76 |

| Sundry Debts | Amount (£) | Number of Invoices |
|--------------------------------|-------------------|---------------------------|
| No further Action due to value | 25.00 | 1 |
| Auto write off under £5.00 | 5.45 | 6 |
| Legal Advised | 722.80 | 3 |
| Credit Write Offs | -14.68 | 3 |
| Total | 738.57 | 13 |

| Housing Benefit Write Offs | Amount | No. of cases |
|-----------------------------------|-----------------|---------------------|
| Uneconomical to recover | 1,413.19 | 10 |
| Cannot trace | 1,265.83 | 3 |
| Old debt-recovery options ex | 3,013.83 | 3 |
| Not reasonable to recover | 1,328.95 | 1 |
| Deceased | 1,746.81 | 2 |
| TOTAL | 8,768.61 | 19 |

SUNDRY DEBTS – PROFILE DATA

Table 1 - Aged Debt profile for Sundry Debts -

| Age Debtors All | As at 31st December 2014 | As at 31st December 2013 |
|-------------------------|------------------------------------------------|------------------------------------------------|
| 1 – 30 days (see below) | 571,274 | 91,119 |
| 31 - 60 days | 25,905 | 493,690 |
| 61 – 90 days | 51,601 | 10,407 |
| 90 days + | 103,068 | 96,938 |
| Total | 751,849 | 692,154 |

Table 2 – Number of outstanding invoices by age

| All Debtors invoices outstanding | As at 31st December 2014 |
|---------------------------------------------|------------------------------------------------|
| 1 – 30 days | 13753 |
| 31 - 60 days | 849 |
| 61 – 90 days | 184 |
| 90 days + | 308 |
| Total | 14340 |

Note: Garden Waste makeup 12,904 of the total in 1-30 days

Table 3 – Garden Waste Invoices Only

| Age for Gardenwaste | As at 31st December 2014 |
|----------------------------|------------------------------------------------|
| 1 – 30 days | 504,440 |
| 31 - 60 days | 0 |
| 61 – 90 days | 0 |
| 90 days + | 665 |
| Total | 505,105 |

Note: Due date 1st Feb 2015

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Table 4 - Value of Outstanding Debt by Month

| | 1 - 30 days | 31 - 60 days | 61 - 90 days | 90+ days | Outstanding Amount |
|--------------|------------------|------------------|----------------|------------------|--------------------|
| Apr-14 | 143,307 | 185,451 | 7,572 | 117,421 | 453,751 |
| May-14 | 861,762 | 77,199 | 126,218 | 118,608 | 1,183,786 |
| Jun-14 | 375,084 | 246,968 | 18,367 | 148,842 | 789,260 |
| Jul-14 | 123,994 | 20,683 | 19,496 | 145,180 | 309,353 |
| Aug-14 | 126,917 | 66,454 | 13,139 | 144,698 | 351,208 |
| Sep-14 | 199,996 | 57,226 | 56,442 | 138,750 | 452,414 |
| Oct-14 | 355,196 | 26,871 | 22,514 | 131,104 | 535,685 |
| Nov-14 | 692,760 | 23,361 | 18,343 | 108,309 | 842,773 |
| Dec-14 | 74,870 | 559,251 | 14,731 | 102,998 | 751,850 |
| Jan-15 | 0 | 0 | 0 | 0 | - |
| Feb-15 | 0 | 0 | 0 | 0 | - |
| Mar-15 | 0 | 0 | 0 | 0 | - |
| TOTAL | 2,953,886 | 1,263,464 | 296,821 | 1,155,910 | 5,670,081 |

Table 5 – Billing Profile

| | Number of invoices raised | Number of invoices outstanding | Number of 1st reminders | Number of 2nd reminders |
|--------------|---------------------------|--------------------------------|-------------------------|-------------------------|
| Apr-14 | 522 | 1976 | 164 | 58 |
| May-14 | 466 | 1756 | 28 | 161 |
| Jun-14 | 1320 | 2226 | 31 | 54 |
| Jul-14 | 459 | 1458 | 97 | 34 |
| Aug-14 | 290 | 1251 | 9 | 67 |
| Sep-14 | 1591 | 2076 | 62 | 42 |
| Oct-14 | 570 | 1172 | 186 | 47 |
| Nov-14 | 18640 | 16537 | 31 | 137 |
| Dec-14 | 1103 | 14342 | 35 | 49 |
| Jan-15 | 0 | 0 | 0 | 0 |
| Feb-15 | 0 | 0 | 0 | 0 |
| Mar-15 | 0 | 0 | 0 | 0 |
| TOTAL | 24,961 | 42,794 | 643 | 649 |

Council Tax Arrears

| Council Tax Arrears Analysis | | | | | |
|-------------------------------------|--------------------|--------------------|-------------------|--------------|---------------------|
| | Q1 | Q2 | Q3 | Q4 | |
| | Total | Total | Total | Total | Annual debit |
| Year | £ | £ | | | £ |
| 1999/00 | 9869.03 | 8847.90 | 8403.57 | | 25,836,407 |
| 2000/01 | 14722.72 | 14312.37 | 13791.81 | | 26,419,700 |
| 2001/02 | 23350.36 | 22517.17 | 22044.82 | | 29,487,929 |
| 2002/03 | 35427.20 | 33982.66 | 32829.91 | | 35,962,692 |
| 2003/04 | 32054.31 | 29488.39 | 28594.00 | | 40,922,548 |
| 2004/05 | 34384.86 | 32590.77 | 31484.97 | | 41,770,011 |
| 2005/06 | 68403.58 | 64469.10 | 63127.53 | | 44,059,868 |
| 2006/07 | 88198.00 | 84342.98 | 81809.13 | | 46,683,333 |
| 2007/08 | 79731.62 | 76277.94 | 72829.08 | | 49,061,780 |
| 2008/09 | 87063.83 | 83663.59 | 80427.10 | | 51,592,006 |
| 2009/10 | 92186.06 | 88492.51 | 83866.32 | | 53,577,097 |
| 2010/11 | 149444.01 | 148059.16 | 140249.95 | | 55,298,276 |
| 2011/12 | 187955.74 | 179993.19 | 168903.62 | | 55,399,069 |
| 2012/13 | 291776.21 | 275625.00 | 261728.00 | | 55,882,474 |
| 2013/14 | 636847.28 | 570750.95 | 519451.98 | | 56,565,040 |
| 2014/15 | 37372725.49 | 19574863.11 | 6907168.87 | | 57,832,715 |
| Total | 39200023.54 | 19578686.25 | 8516710.66 | | |

Non Domestic Rates Arrears

| Non Domestic Rates Arrears Analysis | | | | | |
|--------------------------------------------|--------------------|--------------------|-------------------|--------------|---------------------|
| | Q1 | Q2 | Q3 | Q4 | |
| | Total | Total | Total | Total | Annual Debit |
| Year | £ | £ | | | £ |
| 2000/01 | -1,442.12 | -1442.12 | -1442.11 | | 17,415,978 |
| 2001/02 | 656.81 | 1018.24 | 410.18 | | 17,232,868 |
| 2002/03 | -1665.72 | 1018.24 | 78.70 | | 17,175,162 |
| 2003/04 | 211.80 | 211.80 | -742.79 | | 17,345,890 |
| 2004/05 | -331.53 | -331.53 | -890.22 | | 17,854,642 |
| 2005/06 | 5633.06 | 5633.06 | 5633.06 | | 18,803,202 |
| 2006/07 | 3562.52 | 2662.52 | 1662.52 | | 19,823,744 |
| 2007/08 | 3026.97 | 3026.96 | 1262.64 | | 20,822,010 |
| 2008/09 | 23528.11 | 23528.11 | 20656.86 | | 23,586,234 |
| 2009/10 | 56573.05 | 55235.46 | 44862.80 | | 23,829,603 |
| 2010/11 | 55886.01 | 50454.00 | 21030.52 | | 23,233,864 |
| 2011/12 | 88683.27 | 82372.98 | 46887.61 | | 25,205,206 |
| 2012/13 | 131380.32 | 109855.14 | 78636.68 | | 26,984,821 |
| 2013/14 | 208162.79 | 167014.16 | 127596.83 | | 27,558,863 |
| 2014/15 | 18890661.55 | 10764819.27 | 3395083.55 | | 28,185,165 |
| Totals | 19464526.89 | 11265076.29 | 3740726.83 | | |

Top 10 Outstanding Debts

Case 1 - Total owed £9,712.31 (there is an additional amount of £7,738.94 on the current account)

- The debt relates to the period 01.04.04 to 01.04.11 and then 01.04.11 to 01.04.15;
- BDC have instigated bankruptcy proceedings £9,712.31 plus £3,839.48 of the current account is included in the bankruptcy order;
- We are waiting for dividends to be paid by the insolvency practitioner, this can be a lengthy process;
- The balance of the current account has been sent to the bailiff for collection.

Case 2 - Total owed £11,428.05 (there is an additional amount of £3,011.13 on the current account)

- The debt relates to the period 03.04.07 to 27.10.2011;
- Property was a band G property transferred from father;
- 2007/2008 and 2008/2009 charges were not billed until February 2009;
- Although several arrangements have been made no payments have ever been received on this account;
- The account has recently been returned from bailiffs;
- The next action will be to investigate the possibility of bankruptcy.

Case 3 - Total Owed £10,417.27

- The debt relates to the period 01.04.07 to 17.09.13;
- Balances for 07-08 and 08-09 being collected by an attachment of earnings;
- Remaining balances are pending an application to deduct from earnings;
- We can only deduct on 2 liabilities at any one time.

Case 4 - Total Owed £9,126.84

- The debt relates to the period 01.04.07 to 31.03.15;
- Balances for 07-08 and 08-09 being collected by an attachment of earnings;
- Remaining balances are pending an application to deduct from earnings;
- We can only deduct on 2 liabilities at any one time.

Case 5 - Total owed £7,985.33

- The debt relates to the period 02.01.2010 to 31.03.15;
- Accounts all recently returned from bailiff unable to collect;
- Information to be gathered for the possibility of bankruptcy or charging order.

Case 6 - Total owed £7,710.54

- The debt relates to the period 01.04.10 to 31.03.14;

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- Accounts all recently returned from bailiff unable to collect;
- Information to be gathered for the possibility of bankruptcy or charging order.

Case 7 - Total owed £7,527.73

- The debt relates to the period 01.04.09 to 2.06.14;
- Accounts all recently returned from bailiff unable to collect;
- Information to be gathered for the possibility of bankruptcy or charging order.

Case 8 - Total owed £6,887.41

- The debt relates to the period 01.04.12 to 31.03.15;
- Accounts all recently returned from bailiff unable to collect;
- Information to be gathered for the possibility of bankruptcy or charging order.

Case 9 - Total owed £6,595.94

- The debt relates to the period 01.01.10 to 26.04.13;
- Accounts all recently returned from bailiff unable to collect;
- Information to be gathered for the possibility of bankruptcy or charging order.

Case 10 - Total Owed £6,501.30

- The debt relates to the period 01.04.08 to 01.04.15;
- £1662.00 still with bailiff being paid at circa £500.00 per month, therefore balance reducing rapidly;
- Once the above debt has been cleared the balance of the debt will be referred back to the bailiff for collection.