

AGENDA ITEM: 14

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Meeting	Cabinet Resources Committee
Date	28 February 2012
Subject	Write offs of Business Rates debts, Council Tax debts and Housing Benefit Overpayment Debts
Report of	Cabinet Member for Resources and Performance
Summary	This report proposes the write off of individual debts of £5,000 or more, in respect of Business Rates debts totalling £1,244,603.51, Council Tax debts totalling £211,164.65 and Housing Benefit overpayment debts totalling £103,006.77.

Officer Contributors	Andrew Travers (Deputy Chief Executive and Chief Financial Officer) David Sharpe (Head of Revenues and Benefits)
Status (public or exempt)	Public
Wards Affected	All
Key Decision	No
Reason for urgency / exemption from call-in	
Function of	Executive
Enclosures	Appendix A - Business Rate debts recommended for write off Appendix B – Council Tax debts recommended for write off Appendix C – Housing Benefit overpayment debts recommended for write off.

1. RECOMMENDATIONS

1.1 That the write offs set out in this report be approved.

2. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

2.1 The proposed write off of these debts is in line with good accounting practice, which requires that debit balances accurately reflect realisable income. It also supports the corporate plan priority of 'better services with less money'.

3. KEY DECISION

3.1 This is not a key decision as it involves no expenditure on the part of the authority.

4. RELEVANT PREVIOUS DECISIONS

4.1 Cabinet Resources Committee –1 December 2008
Agenda Item 17 - WRITE OFFS OF NON-DOMESTIC RATES AND INCOME DEBTS (Report of the Leader/Cabinet Member for Resources)
The committee approved the recommendation to write off Non-domestic Rates debts totalling £472,181.28 and Income debts totalling £1,508,382.35.

5. RISK MANAGEMENT ISSUES

5.1 The recommendation to write off these debts recognises that there is no longer a realistic possibility of their economic recovery. All appropriate avenues have been exhausted in attempting to recover these sums.

6. EQUALITIES AND DIVERSITY ISSUES

6.1 It is not considered that this matter is likely to raise any concerns under the Council's Equalities Policy.

7. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

7.1 The amounts being recommended for write off total £1,244,603.51 in respect of non domestic rates, and £211,164.65 in respect of Council tax, and £103,006.77 in respect of Housing Benefits overpayments.

7.2 These are within Barnet's existing council tax bad debt provision of £11 million. The bad debt provision in respect of business rates is borne by the National Non-domestic Rates Pool. No bad debt provision exists for Housing Benefit overpayment debts so these will be picked up by the Revenues and Benefits service budget.

8. LEGAL ISSUES

- 8.1 The Council has a fiduciary duty to its council taxpayers to recover monies owing to it, where it would be acting reasonably in so doing. However, in the cases dealt with within this report and for the reasons given, it is not reasonable to pursue recovery of the debts.

9. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

- 9.1 Constitution, Part 3 – Responsibility for Functions, Section 3- Powers of the Executive, paragraph 3.6 – Terms of reference of the Cabinet Resources Committee includes to write off debt.

10. BACKGROUND INFORMATION

10.1 Non-Domestic Rates

- 10.1.1 Irrecoverable non-domestic rates of £1,244,603.51 are recommended for write off. The individual debts are all £5,000 or more and cover the years 2001/2 to 2009/10. A schedule of the debts is in Appendix A.

- 10.1.2 All the debts are in respect of closed accounts. The vast majority are in respect of either individuals subject to bankruptcy, or limited companies that were subject to liquidation proceedings or that were dissolved or were in receivership. No or insufficient monies to clear these debts were yielded (business rate debt does not rank as a preferential debt in insolvency proceedings) and no further action can be taken. Other debts are in respect of debtors who have absconded or where the debts are statute-barred for recovery purposes. See 9.14 below for the breakdown of the reasons for write off and age of debts.

- 10.1.3 Attempts to trace absconded debtors include searches of internal systems, enquiries made with owners, agents and new occupiers of properties, and visit reports by the council's bailiffs. Having regard to cost effectiveness, the extent of tracing activity will correspond to the amount of individual debts, with a greater number of checks being carried out in respect of larger debts. Although a rare event, it has happened in the past, and therefore it should be noted that if any of the debtors' whereabouts be discovered following write off, their debt will be re-raised and attempts made to recover it.

- 10.1.4 The breakdown of the debts is as follows:

<u>Reason</u>	<u>Value</u>	<u>No. of cases</u>
Absconded	£133,995.97	16
Bankruptcy, liquidation, company dissolved or in receivership	£1,082,029.54	56
Statute-barred	£28,578.00	2
Total	£1,244,603.51	74

<u>Account balances</u>	<u>Value</u>	<u>No. of cases</u>
£5,000 to £9,999	308,535.01	48
£10,000 to £14,999	79,697.84	6

£15,000 to £19,999	132,457.37	8
£20,000 to £24,999	20,190.39	1
£25,000 to £49,999	221,798.83	6
£25,000 to £128,060	481,924.07	5
Total	£1,244,603.51	74

<u>Year debt raised</u>	<u>Value</u>
2001/2	£14,290.53
2002/3	£8,521.50
2003/4	£62,194.03
2004/5	£156,788.06
2005/6	£264,429.10
2006/7	£269,309.97
2007/8	£251,485.91
2008/9	£208,174.16
2009/10	£9,410.25
Total	£1,244,603.51

NB - breakdown of *number of cases* for individual years not supplied because some of the 74 accounts have debts in respect of rates liability for more than one financial year.

10.2 Council Tax debts

10.2.1 Irrecoverable council tax debts of £211,164.65 are recommended for write off. The individual debts are all £5,000 or more and cover the years 2000/1 to 2008/9. A schedule of the debts is in Appendix B.

10.2.2 All the debts are in respect of closed accounts. Most are in respect of debtors who have absconded, including some who are known to now be abroad. Other debts are either individuals subject to bankruptcy, or limited companies that have been dissolved, or companies registered abroad. No or insufficient monies to clear these debts were yielded (council tax debt does not rank as a preferential debt in insolvency proceedings) and no further action can be taken. See 9.2.4 below for the breakdown of the reasons for write off and age of debts.

10.2.3 Attempts to trace absconded debtors include searches of internal systems, enquiries made with owners, agents and new occupiers of properties, and visit reports by the council's bailiffs. Having regard to cost effectiveness, the extent of tracing activity will correspond to the amount of individual debts, with a greater number of checks being carried out in respect of larger debts. Although a rare event, it has happened in the past, and therefore it should be noted that if any of the debtors' whereabouts be discovered following write off, their debt will be re-raised and attempts made to recover it.

10.2.4 The breakdown of the debts is as follows:

<u>Reason</u>	<u>Value</u>	<u>No. of cases</u>
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Absconded	£97,092.38	15
Absconded - known to be abroad	£54,785.09	9
Bankrupt	£20,225.28	3
Company dissolved	£6,700.23	1
Irrecoverable - company abroad	£19,814.75	2
Diplomatic immunity	£12,546.92	3
Total	£211,164.65	33

<u>Account balances</u>	<u>Value</u>	<u>No. of cases</u>
£5,000 to £5,999	£83,164.50	15
£6,000 to £6,999	£63,201.97	10
£7,000 to £7,999	£29,984.29	4
£8,000 to £10,600	£34,813.89	4
Total	£211,164.65	33

<u>Year debt raised</u>	<u>Value</u>
2000/1	£17,231.22
2001/2	£12,390.58
2002/3	£18,638.90
2003/4	£27,605.07
2004/5	£37,528.12
2005/6	£39,592.07
2006/7	£33,450.73
2007/8	£16,981.54
2008/9	£7,746.42
Total	£211,164.65

NB - breakdown of *number of cases* for individual years not supplied because some of the 33 accounts have debts in respect of council tax liability for more than one financial year.

10.3 Housing Benefit Overpayments

10.3.1 Housing Benefit overpayments totalling £103,006.77 are recommended for write off.

10.3.2 There are 11 cases in total where all available recovery methods have been explored but there is no prospect of recovery. The debts were raised between 2005 and 2010. . A schedule of the debts is in Appendix C.

10.3.3 In all cases, 40% subsidy has been claimed from Central Government in accordance with Housing Benefit legislation in the year the debts were raised..

10.3.4 The breakdown of the debts is as follows:

Year Debt Raised	Number of Cases	Total Amount
2005	5	£59,145.31
2006	1	£7,374.38
2007	2	£12,815.48
2009	1	£6075.00
2010	2	£17,596.60
Total	11	£103,006.77

11. LIST OF BACKGROUND PAPERS

11.1 Appendix A - Business Rate debts recommended for write off
Appendix B - Council Tax debts recommended for write off
Appendix C - Housing Benefit debts recommended for write off.

11.2 Anyone wishing to inspect the background papers should telephone David Sharpe on 020 8359 2327.

Legal: MC
CFO: PL

APPENDIX A**NNDR Write Offs**

	Reference	Amount	Total
Company dissolved	73610481	£5,000.00	
	73838871	£5,006.30	
	73779671	£5,149.32	
	73679921	£5,280.81	
	724936X1	£5,440.78	
	74274831	£5,507.85	
	73722991	£5,585.51	
	74196331	£5,784.10	
	74169401	£5,979.64	
	72075611	£6,010.50	
	72707701	£6,037.96	
	73931101	£6,061.00	
	703744X1	£6,071.84	
	73835161	£6,262.59	
	74137901	£6,347.79	
	73782071	£7,710.21	
	73911811	£7,758.44	
	73626941	£8,858.71	
	74052651	£12,432.00	
	74155011	£14,412.48	
	73735631	£15,132.80	
	74159591	£17,741.64	
	73887051	£17,848.04	
	73747291	£42,716.43	
	73706631	£47,079.09	
	73898501	£90,355.13	
73908751	£126,667.95	£494,238.91	
Company in receivership	74208651	£6,432.48	
	74010131	£14,406.73	£20,839.21
Company in liquidation	73608951	£5,000.00	
	72428721	£5,070.94	
	73571451	£5,113.01	
	74263271	£5,123.06	
	73838541	£5,297.13	
	74170171	£5,364.50	
	72424691	£5,488.76	
	73188021	£5,551.93	
	72530551	£6,511.82	
	72777031	£6,917.50	
	72399831	£7,098.54	
	73585181	£7,439.42	
	73598811	£7,853.46	
	74206691	£8,855.13	
	73692131	£9,837.49	

	73563711	£11,772.63	
	74262951	£24,529.69	
	74261201	£16,253.46	
	73703141	£16,600.91	
	73973401	£20,190.39	
	73940921	£25,080.01	
	72080631	£38,617.49	
	73073561	£43,776.12	
	73631521	£66,051.67	
	73742721	£70,789.85	
	72443881	£128,059.47	£558,244.38
Ratepayer bankrupt	73780001	£8,707.04	£8,707.04
Statute-barred	74369451	£11,691.00	
	74369561	£16,887.00	£28,578.00
Absconded	73838431	5,244.92	
	73699321	5,287.10	
	72513211	5,524.11	
	73539281	5,704.13	
	73999781	5,840.76	
	74151861	6,237.00	
	72312511	6,833.49	
	73677301	6,994.89	
	73856861	7,049.00	
	73748711	7,282.35	
	73899041	7,333.74	
	73894911	8,392.00	
	73886731	9,295.96	
	73708481	14,983.00	
	72268901	15,900.00	
	73950841	16,093.52	£133,995.97
Total write offs			£1,244,603.51

APPENDIX B**Council Tax Write Offs**

	Reference	Amount	Total
Absconded	47744608	£5,351.65	
	45197936	£5,407.66	
	47018248	£5,430.99	
	44953000	£5,568.78	
	43346331	£5,752.62	
	43336138	£5,833.18	
	46421302	£5,853.66	
	47242361	£6,118.42	
	46016884	£6,227.04	
	44452436	£6,254.45	
	44408799	£6,622.69	
	46682670	£7,153.69	
	45016440	£7,197.17	
	40474341	£7,817.90	
	44969353	£10,502.48	£97,092.38
Absconded known to be abroad	42324519	£5,017.22	
	46064053	£5,018.34	
	45805525	£5,262.71	
	46364978	£5,409.38	
	44229576	£5,628.41	
	43625139	£5,703.76	
	42758457	£6,491.44	
	42511187	£8,039.89	
	40556745	£8,213.94	£54,785.09
Bankrupt	46112002	£6,172.55	
	43471666	£8,057.58	
	46381931	£5,995.15	£20,225.28
Company dissolved	44119929	£6,700.23	£6,700.23
Diplomatic Immunity	47312770	£5,930.99	
	47318840	£6,068.23	
	46700032	£7,815.53	£19,814.75
Irrecoverable -company abroad	45883911	£6,103.70	
	45883939	£6,443.22	£12,546.92
Total write offs			£211,164.65

Appendix C

Housing Benefit Write Off Recommendations

DATE OP RAISED	CLAIMANT REF	ACCOUNT REF	TOTAL HB	REASON FOR WRITE OFF REQUEST
21.03.2005	1681282	50141700	£5,362.53	all tracing methods have been used on this case, including the DWP data base and a debt collection agency. No prospect of recovery, therefore OP put forward for write off consideration.
24.09.2005	146270	51040576	£5,452.12	Claimant has been made bankrupt we are listed on documents no prospect of recovery
02.03.2007	1683269	50135932	£5,789.99	all tracing methods have been used on this case, including the DWP data base and a debt collection agency. No prospect of recovery, therefore OP put forward for write off consideration.
18.02.2009	1613582	50132841	£6,075.00	all tracing methods have been used on this case, including the DWP data base and a debt collection agency. No prospect of recovery, therefore OP put forward for write off consideration.
23.02.2007	1695553	51036005	£7,025.49	all tracing methods have been used on this case, including the DWP data base and a debt collection agency. No prospect of recovery, therefore OP put forward for write off consideration.
05.07.2010	10029940	50518235	£7,200.00	Claimant has passed away no funds left in the estate to repay this debt
15.02.2006	1054669	51036151	£7,374.38	Claimant won her appeal with against DWP for this period re Social Security Benefits. Op is now over 6 years old so unable to pursue debt through the courts
07.03.2005	1277025	50188627	£10,384.97	all tracing methods have been used on this case, including the DWP data base and a debt collection agency. No prospect of recovery, therefore OP put forward for write off consideration.
28.10.2010	1677521	50432229	£10,396.60	All tracing methods have been exhausted - LL has absconded
22.09.2005	147715	500323702	£11,117.16	all tracing methods have been used on this case, including the DWP data base and a debt collection agency. No prospect of recovery, therefore OP put forward for write off consideration.
07.03.2005	1267226	50193918	£26,828.53	Claimant has mental health issues. we have exhausted all available recovery methods and have been unable to recover any of the op. Debt is now over 6 years old so we are unable to pursue debt through the courts
			£103,006.77	

