
Report of the Recovery and Exchequer Services Manager

Report to Deputy Chief Executive

Date: 15th July 2016

Subject: Write Off of irrecoverable balances for Local Taxation

| | | |
|--|---|--|
| Are specific electoral Wards affected? If relevant, name(s) of Ward(s): | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Are there implications for equality and diversity and cohesion and integration? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Is the decision eligible for Call-In? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Summary of main issues

1. Provides details of accounts in respect of Council Tax and Business rates which during the period 1st October 2015 to 31st March 2016 have been determined that the amounts due to the City Council are not collectable and are now recommended to be written off.

Recommendations

2. Recommends that the accounts in respect the balances included in this report are approved for write off.

1 Purpose of this report

- 1.1 To outline the process which has been followed in attempting to collect the outstanding debts and also to make reference to the current collection performance to put the values of the write offs into context.

2 Background information

- 2.1 In relation to the 2015/16 financial year, the following statistics should be noted (as at 31st March 2016)
Table 1

| Item | No. of Properties | Amount Collectable |
|----------------|-------------------|--------------------|
| Council Tax | 346,488 | £299.9M |
| Business Rates | 27,879 | £377.7M |

The amounts detailed in the report below are amounts that have been written off during the period 1st October 2015 and 31st March 2016 with the majority of balances which are being written off relating to earlier years. For a breakdown of all write offs actioned during the current financial year by year of bill see tables 3 and 5 in section 3.

2.2 Overall collection performance

Whilst the values reported are significant it is important to remember the large amount of income which is collected by the authority in respect of Council Tax and Business Rates.

Council Tax

At the end of March 2016, of the £299.879M which was due in respect of the 2015/16 financial year £287,536M (95.9%) has been collected.

From continued monitoring of collection rates from previous years, the authority can demonstrate fullness of time collection rates in excess of 99%.

From the breakdown of the write offs by reason it can be seen that by far the majority of cases are as a result of insolvency proceedings or the debtor leaving a property and we are unable to trace their current whereabouts. Whilst stringent checks are made to trace these individuals ultimately a point arrives where the balance on the account has to be written off reflecting proper accounting practice. However even in cases where accounts are written off, should we subsequently become aware of their current address further recovery action will be undertaken.

Business Rates

As at the end of March 2016, of the £377.7M which was due in respect of 2015/16 financial year £369.4M (97.8%) had already been collected. It is anticipated that in the fullness of time approximately 98.8% of the balance due will be collected.

Of the write-offs processed during the period covered by the report 76% of the value was due to company failure (insolvency and dissolution) where the authority is unable to take any further action to pursue payment of the debt. As there is no discretion, these write-offs are authorised by the Business Rates Manager

3 Amounts deemed irrecoverable

Council Tax

During the period 1st October 2015 and 31st March 2016 the value of Council Tax deemed irrecoverable amounts to £712K, and relates to 11,976 transactions, and is detailed in table 2 below:

(Also shown within the table below are other categories of transactions which follow the same stringent controlled procedures as write-offs and include the write off of court costs and other manual amendments required to the Academy System)

Table 2

| Category | Net Value of Write Off/On (£) | No. of transactions |
|----------------------------------|--------------------------------------|----------------------------|
| Debtor - Gone Away | -278,841.50 | 1,503 |
| Bankruptcy/Liquidation | -182,980.80 | 939 |
| Dec'd Persons - No Assets | -54,307.14 | 268 |
| Persons Exempt | -15,006.95 | 82 |
| Other | -73,970.72* | 259* |
| Uneconomical to collect | -9,793.22 | 553 |
| Hardship | -313.37 | 2 |
| Account Adjustments | | |
| Transitional Relief correction | | |
| Credit Balances Written On (net) | 15,672.02 | 6,316 |
| Costs Written Off | -112,899.83 | 1,817 |
| Benefit Adjustments | -1.03 | 237 |
| Totals | -£712,442.54 | 11,976 |

*£66,797.67 (220 cases) of this category relate to cancellations following flood relief.

It is important to note that the values reported above relate to write offs actioned during the period in question, and mainly they will relate to liabilities from previous years Council Tax. Table 3 below shows the proportion of total write offs during 2015/16 for each Council Tax bill year.

Table 3

| Year of CT account | %age of write offs processed in 2014/15 |
|---------------------------|--|
| 2015/16 | 18% |
| 2014/15 | 19% |
| 2013/14 | 31% |
| Pre 2013/14 | 32% |

Business Rates

During the period 1st October 2015 and 31st March 2016 the value of business rates deemed irrecoverable amounts to £1.8M, and relates to 1,923 transactions, and is detailed in table 4 below:

Table 4

| Category | Value (£) | Number |
|------------------------|-----------------------|---------------|
| Small Balance | -127.15 | 571 |
| Other | -22,848.14 | 8 |
| Absconded | -188,389.41 | 229 |
| Insolvency | -645,095.73 | 260 |
| Costs | -26,599.51 | 472 |
| No Assets - Individual | -197,011.11 | 85 |
| No Assets - Company | -740,576.27 | 326 |
| Deceased | -2,413.16 | 2 |
| Total | -£1,823,060.48 | 1,953 |

As with Council Tax the values reported above relate to write offs actioned during the period in question, and relate to liabilities from previous years Business Rates, to illustrate this the table below shows the proportion of total write offs for the current year for each Business Rate bill year.

Table 5

| Year of NDR account | %age of write offs processed in 2014/15 |
|----------------------------|--|
| 2015/16 | 35% |
| 2014/15 | 39% |

| | |
|-------------|-----|
| 2013/14 | 14% |
| Pre 2013/14 | 12% |

Cases exceeding £5K requiring individual approval

Council Tax

| Reference | Value | Reason |
|-----------|-----------|--------|
| 81928149 | £6,351.00 | Dec'd |
| 82192341 | £5,707.49 | GNA |

Business Rates

| Reference | Value | Reason |
|-----------|------------|-----------|
| 901117144 | £21,992.02 | Other |
| 901102186 | £5,151.60 | No assets |
| 900789568 | £8,126.20 | No assets |
| 900326873 | £28,544.47 | No assets |
| 900610492 | £5,202.36 | No assets |
| 900900381 | £12,925.37 | No assets |
| 900864097 | £7,449.13 | No assets |
| 901375469 | £18,141.80 | No assets |
| 900216826 | £19,278.88 | No assets |
| 901457844 | £5,528.86 | Absconded |
| 901071525 | £6,912.01 | Absconded |
| 901443765 | £12,635.83 | Absconded |
| 901562508 | £14,172.73 | Absconded |
| 901419819 | £14,486.00 | Absconded |
| 901448299 | £15,347.35 | Absconded |
| 901320106 | £7,460.66 | Absconded |
| 901563218 | £5,084.11 | Absconded |
| 901337765 | £9,865.38 | Absconded |
| 901301368 | £15,599.39 | Absconded |
| 900315440 | £7,978.00 | Absconded |

4 Corporate Considerations

4.1 Consultation and Engagement

The local taxation write offs as detailed above were discussed with members of FPG on 13th May 2016

No public consultation has taken place as the values reported in the report remain outstanding following consideration of all relevant recovery procedures in each case.

- 4.2 Equality and Diversity / Cohesion and integration
This is not relevant with regard to this decision as the amounts written off are based on the debtors circumstances, and lack of available effective recovery options.
- 4.3 Council policies and City priorities
No issues
- 4.4 Resources and Value for money
Whilst the values reported are significant the percentage of overall debt collection for both Council Tax and Business Rates in the fullness of time is in excess of 99% and compares favourable with other Core Cities.
- 4.5 Legal Implications. Access to information and call in
No issues
- 4.6 Risk Management
No issues
- 5 Conclusions / Recommendations**
That considerable efforts and resources have been directed to recover the balances identified, and that the write off values details as above are approved.
- 6. Background Documents**
No specific background documents, information extracted from the Council's Revenues and Benefits Computer system.

Version 2.0