



**RECORD OF DECISION TAKEN UNDER DELEGATED
AUTHORITY
(Not a Key Decision)**

Date of Decision: 13.11.14

**Executive Decision to be published by Member
Services?: Yes**

TITLE: Write off of Council Tax aged debt

DECISION: To write off a number of "Trace" debt cases, to a total value of £495.5k, as described in paragraphs 2.5 and 2.6 together with Appendix 1.

1.0 BACKGROUND

- 1.1 The collection of Council Tax Previous Year's arrears is a contractual Service Level Agreement (SLA) contained within the Shared Services contract and the end of year target for 2014-15 is 24%.
- 1.2 As reported in the monthly Quality of Service report and also at the recent Shared Services Board (SSB) meeting, as a part of the strategy to address the "aged debt" issue, a detailed analysis of the overall debt figure has been carried out to gain a better understanding of what the overall total debt consists of – then implement an action plan accordingly.
- 1.3 Subsequently a plan was drawn up and activity has since commenced. As stated above this plan involves increased recovery activity but also work has taken place in reviewing and analysing "pockets" of debt using age and recovery status parameters.
- 1.4 The findings of this data analysis activity to date have been shared and discussed with the Borough Treasurer and the Transformation Manager.

2.0 CURRENT POSITION

- 2.1 As at March 2014, records show that there was a total £6.6m outstanding relating to previous years Council Tax debt. This figure was reduced to £5.7m as at September 2014 as a result of increased and focused collection and recovery activity undertaken by the British Telecom Lancashire Services (BTLS) Council Tax Team.
- 2.2 A detailed exercise which analysed this overall debt has taken place lead by the Director of Revenues & Benefits (BTLS) in conjunction with the Transformation Manager and Borough Treasurer in order to agree the approach set out within this document from both a strategic and an operational perspective.
- 2.3 This review provided a clear indication of the age and recovery status of the overall debt. At a "headline" level it has been established that there is over £1m of

debt that is 6 years old or more, over £1.5m which between 3 and 6 years old and over £3m which is between 1 and 2 years old.

- 2.4 Having established the age profile of the overall debt situation, the "debt pockets" were then identified with a view to establishing those cases that are either:
- a) actively being pursued;
 - b) could be pursued but because of the age and recovery status, may require the involvement of a specialist debt organisation; or are
 - c) uneconomical to collect because of the age and recovery status of the debt.

- 2.5 Work has commenced on the above category (c) and a specific recovery status was selected – "Trace" (i.e. cases where the whereabouts of the debtor was/is not known at the time that recovery action was being considered). Initially only such cases that are 6 years old or more have been looked at.

The analysis of these cases is provided at Appendix 1.

- 2.6 The following factors have been taken into account as a part of this decision making process:

- The age of the debt – this initial tranche of cases represents debt that is between 6 and 11 years old;
- All cases have the recovery status "Trace" – this typically represents cases that are at post Bailiffs / pre Committal stage of enforcement;
- Another factor taken into account was "date of last contact" – the basis of this being that even if a debt was 6 years old or more, if there has been recent contact with the debtor then there may be value in pursuing the debt; However, in all cases, there is little evidence of contact over recent years – either from the customer to the Council or vice versa.

In accordance with the Constitution it can be confirmed that there are no individual debts of £5,000 or more.

These factors lead to the conclusion that the debts concerned are uneconomical to collect and should therefore be written off because the cost of attempting to recover such debts outweigh the benefits i.e the anticipated cash collected. This approach is recognised as good practice in the active management of debt.

- 2.7 Similar analysis activity is now planned for the following "pockets" of debt that are also considered to be uneconomical to collect:

Recovery Status	Age	Value
Committal (next stage)	6+ years	£402k
Trace	3-5 years	£425k
Committal (next stage)	3-5 years	£465k

- 2.8 Delegated authority to write off irrecoverable debts to a limit of £5000 in individual cases is provided at 4.2B Paragraph D1 of the Council's Constitution.

- 2.9 BTLS Revenue & Benefits (RBS) are continuing with the exercise as described above and will provide regular updates to the Transformation Manager/Borough Treasurer. BTLS are continuing to actively pursue debts which are traceable and

considered economic to collect but debt falling into category 2.4 b) above will be subject to further discussions between BTLS and the Council.

3.0 ALTERNATIVE OPTIONS CONSIDERED (IF ANY):

3.1 This approach can be classed as pro-active management of 'bad debt'. To do nothing other than continue to pursue aged debt in accordance with current recovery and enforcement procedures is not considered a practical or economic option.

4.0 FINANCIAL AND RESOURCE IMPLICATIONS

4.1 The work that is being done currently to collect and recover pre Current Year Council Tax debt will be supplemented by write off activity – the result being a significant reduction in collectable debt.

4.2 The total value of debt proposed to be written off is £495,500. The Borough Treasurer has advised that this can be funded from the Council Tax Bad Debt provision, which stood at £2.714m at April 2014. All of the debts being written off are more than 6 years old and where the location of the debtor is unknown, and consequently the write offs comply with the relevant requirements set out in the Constitution.

4.3 It should be noted that, in the case of any debt that is written off, if circumstances change and the original liability subsequently becomes "economical to collect", for example if the debtors whereabouts become known, then the outstanding balance can be pursued once again.


5.0 REASONS FOR DECISION

5.1 The reasons for the decision are as set out above.


6.0 COMMUNITY STRATEGY/SUSTAINABILITY IMPLICATIONS/ EQUALITY IMPACT ASSESSMENT

6.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy or in respect of the public sector equality duty/protected characteristics.

Decision taken under Constitution 4.2B Paragraph D1 by:-

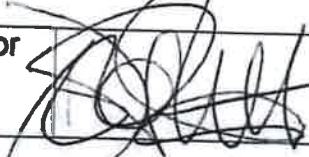
Name	Title	Signature	Date
Kim Webber	Managing Director (Transformation)		4.12.14

In consultation with

Name	Title	Signature	Date
Marc Taylor	Borough Treasurer		19.11.14
Shaun Walsh	Transformation Manager		18.11.14

Portfolio Holders

Name	Title	Signature	Date
Cllr Jane Houlgrave	Portfolio Holder for Housing and Transformation		25.11.14

Cllr David Whittington	Portfolio Holder for Resources		2.12.14
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Appendix 1 – Analysis of Cases 6 years old or more with the recovery status "Trace"

AGED ARREARS ANALYSIS - Recovery Status "TRACE" - 2003 to 2008			
	Number of Accounts	Total £value Outstanding	Average per A/ct
Year 2003	106	£29,243.38	
Year 2004	200	£55,946.07	
Year 2005	269	£81,166.62	
Year 2006	304	£98,289.10	
Year 2007	341	£113,836.31	
Year 2008	339	117145.65	
Total	1559	£495,627.13	£317