

Report to: **Hub Committee**

Date: **27 April 2021**

Title: **Write Off Report for 2020/21**

Portfolio Area: **Performance & Resources – Cllr Edmonds**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y / N**

Date next steps can be taken: **N / A**

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RECOMMENDATIONS

That the Committee:

- 1. notes that, in accordance with Financial Regulations, the Section 151 Officer has authorised the write-off of individual West Devon Borough Council debts totalling £114,226.37 as detailed in Tables 1 and 2; and**
- 2. approves the write off of individual debts in excess of £5,000 totalling £23,183.50 as detailed in Table 3.**

1. Executive summary

The Council is responsible for the collection of: Sundry Debts including Housing Benefit Overpayments, Council Tax and National Non-Domestic Rates.

The report informs members of the debt written off for these revenue streams. Debts up to the value of £5,000 can be written off by the s151 Officer, under delegated authority. Permission needs to be sought from the Committee to write off individual debts with a value of more than £5,000.

This report covers the period 1st April 2020 to 31st March 2021.

2. Background

The Council's sound financial management arrangements underpin delivery of all the Council's priorities, including the commitment to providing value for money services.

This report forms part of the formal debt write-off procedures included in these financial arrangements.

West Devon Borough Council's collection rates for 2019/20 were; Council Tax 97.7% & Business Rates 97.6%. The national averages were 96.8% for Council Tax and 98% for Business Rates for 2019/20.

As at the end of February 2021, the Council has collected 94.98% of Council Tax for 2020/21 (this compares to 95.40% as at February 2020).

As at the end of February 2021, the Council has collected 88.56% of Business Rates for 2020/21 (this compares to 95.58% as at February 2020).

Debts are recovered in accordance with the Council's Recovery Policy which is published on our website.

3. Outcomes/outputs

In accordance with good financial management principles the Council has, for the revenue streams detailed in this report, made a total bad debt provision of £3,646,460.38. This provision recognises that a proportion of the Authority's debts will prove irrecoverable and ensures that the value of debtors within the Authority's accounts is a fair reflection of the amount that will eventually be recovered.

All debts, taxes and rates within the Service's control are actively pursued, and in most instances are collected with little difficulty. In cases where payment is not received on time, a reminder will be issued promptly to the debtor. If this fails to secure payment, a final reminder and/or a summons will also be issued and if necessary the debt passed to an appropriate collection agent such as the Civil Enforcement Agents or the Council's Legal Department in order to secure payment.

Sometimes, however, if the debtor is having difficulty making the payment, special arrangements are used to effect recovery, and this may mean extending the period of time to collect the debt.

In some cases pursuit of an outstanding debt is not possible for a variety of reasons, such as bankruptcy or liquidation and such cases with arrears under £5,000 can be written off by the Section 151 Officer under delegated authority. Cases where the debt exceeds £5,000 must, however, be approved by the Committee prior to the debt being written off.

A record is kept of debts written off, together with the reason for doing so, so that if there is a realistic chance of recovery in the future a debt may be resurrected and pursued again.

The Service has access to Experian's Citizenview database which is currently the most reliable means of tracing absconded debtors. Each case is checked against this system before a decision is taken to write off the debt. A periodic review of write offs against this system may also be carried out to resurrect debts where appropriate.

4. Options available and consideration of risk

The Committee can either approve to the debt being written off or not. Should the write off of an individual debt not be approved, it will remain on the appropriate system as an outstanding balance. In cases of insolvency there is no option available to the Council but to stop any action to collect the debt. With any case where the debt remains on the appropriate Council system, it may result in additional time and cost spent to pursue the debts when there is no realistic prospect of recovery.

5. Proposed Way Forward

The Committee approves the write off of individual debts in excess of £5,000 as detailed in Table 3.

6. Implications

| Implications | Relevant to proposals Y/N | Details and proposed measures to address |
|--|---------------------------|---|
| Legal/Governance | | <p>The relevant powers for this report are contained within the following legislation;</p> <p>Section 151 Local Government Act 1972 Section 44 Local Government Finance Act 1988 (Non Domestic Rate) Section 14 Local Government Finance Act 1992 (Council Tax)</p> |
| Financial implications to include reference to value for money | | <p>The total debts to be written off total £137,409.87 for the year 2020/21 as shown above. This is £114,226.37 of debts less than £5,000 (written off by the S151 Officer in accordance with Financial Regulations) and £23,183.50 of debts over £5,000, which this report recommends to the Hub Committee to write off, as detailed in Table 3. Over £43,000 of the value of debts to be written off for the year (£43,477.09) are for Council Tax debts where there has been insolvency or bankruptcy (Table 1).</p> |

| | | |
|---|--|--|
| | | <p>West Devon Borough Council's collection rates for 2019/20 were; Council Tax 97.7% & Business Rates 97.6%. The national averages were 96.8% for Council Tax and 98% for Business Rates for 2019/20.</p> <p>As at the end of February 2021, the Council has collected 94.98% of Council Tax for 2020/21 (this compares to 95.40% as at February 2020).</p> <p>As at the end of February 2021, the Council has collected 88.56% of Business Rates for 2020/21 (this compares to 95.58% as at February 2020).</p> |
| Risk | | <p>Any risk to reputation is managed carefully by prompt recovery of amounts due wherever possible.</p> <p>This risk is also mitigated by taking a balanced view and ensuring that resources are not expended on debts which are not cost effective to pursue</p> <p>The obvious risk of debtors subsequently being able to pay a debt which has been written off is mitigated by the activity outlined in Part 3.</p> |
| Supporting Corporate Strategy | | Delivering efficient and effective services |
| Climate Change - Carbon / Biodiversity Impact | | No direct carbon/biodiversity impact arising from the recommendations |
| Comprehensive Impact Assessment Implications | | |
| Equality and Diversity | | All enforcement action that is taken prior to this point is undertaken in accordance with legislation and accepted procedures to ensure no discrimination takes place. |
| Safeguarding | | None |
| Community Safety, Crime and Disorder | | None |
| Health, Safety and Wellbeing | | None |
| Other implications | | A bad debt provision is built into the financial management of the Authority |

Supporting Information

Appendices:

Table 1 – Council debt under £5,000 written off by the Section 151 Officer

Table 2 – Non-Domestic Rate debt under £5,000 written off by the Section 151 Officer

Table 3 – Summary of items over £5,000 where permission to write off is requested

Table 4 – National & Local Collection Statistics re 2019/20 Collection Rates

Table 5 – Quarterly income in 2019/20 relating to all years

Table 6 – Previous Year Write Off Totals

Table 7 – Bad debt provision breakdown

Background Papers:

None

TABLE 1 SUMMARY OF WEST DEVON BOROUGH COUNCIL DEBT UNDER £5,000 WRITTEN OFF BY S151 OFFICER

| TYPE OF DEBT | REASON FOR W/OFF | Financial Year 2020/21 | | Totals for Comparison purposes | |
|------------------------|------------------------------|------------------------------|-------------------|--------------------------------|-------------------|
| | | Financial Year Total 2020/21 | | Financial Year Total 2019/20 | |
| | | Cases | Amount | Cases | Amount |
| HOUSING BENEFIT | Overpaid Entitlement | 11 | 4,770.62 | 99 | 65,460.97 |
| | Insolvency / Bankruptcy | 2 | 1,339.33 | 13 | 16,001.57 |
| | Deceased | 1 | 39.54 | 12 | 6,361.37 |
| | Other | - | - | 1 | 85.89 |
| | Absconded | - | - | - | - |
| | Not Cost Effective to Pursue | 12 | 127.79 | 16 | 543.91 |
| | Uncollectable Old Debt | 13 | 6,713.22 | 34 | 15,816.53 |
| Total | | 39 | 12,990.50 | 175 | 104,270.24 |
| COUNCIL TAX | Absconded | 26 | 6,801.20 | 3 | 985.64 |
| | Insolvency / Bankruptcy | 31 | 43,477.09 | 54 | 61,751.86 |
| | Deceased | 11 | 5,298.04 | 4 | 1,922.77 |
| | Other (inc. CTR overpayment) | 10 | 2,722.22 | 5 | 403.08 |
| | Small Balance | 71 | 56.91 | 69 | 226.55 |
| | Uncollectable Old Debt | 1 | 885.34 | 90 | 17,833.53 |
| Total | | 150 | 59,240.80 | 225 | 83,123.43 |
| SUNDRY DEBTS | Small Balance | 35 | 2,342.49 | 2 | 36.28 |
| | Insolvency / Bankruptcy | 3 | 4,678.56 | 2 | 2,239.68 |
| | Unable to pursue | 4 | 807.13 | 1 | 95.50 |
| | Uncollectable Old Debt | 4 | 874.80 | 2 | 140.00 |
| | Absconded | 41 | 16,496.96 | 4 | 1,495.00 |
| | Other | 13 | 3,084.44 | - | - |
| Total | | 100 | 28,284.38 | 11 | 4,006.46 |
| Grand Total | | 289 | 100,515.68 | 411 | 191,400.13 |

**Breakdown of Absconded Council Tax Debt
(Some cases have debts over more than one year)**

| Year | 2020/21 | 2019/20 | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 | 2013/14 | 2012/13 | 2011/12 | Pre 2011/12 | Total |
|---------------|---------|---------|---------|---------|---------|---------|---------|----------|----------|---------|----------------|----------|
| Value | - | - | 212.16 | 68.10 | 145.54 | 172.07 | 739.32 | 2,335.51 | 1,296.02 | 432.52 | 1399.96 | 6,801.20 |
| Number | - | - | 1 | 2 | 2 | 2 | 4 | 9 | 5 | 3 | 4 | |

TABLE 2 SUMMARY OF NON DOMESTIC RATE DEBT UNDER £5,000 WRITTEN OFF BY THE S151 OFFICER

| TYPE OF DEBT | REASON FOR W/OFF | Financial Year 2020/21 | | Totals for Comparison purposes | |
|--------------------------|-------------------------|------------------------------|------------------|--------------------------------|------------------|
| | | Financial Year Total 2020/21 | | Financial Year Total 2019/20 | |
| | | Cases | Amount | Cases | Amount |
| NON-DOMESTIC RATE | Insolvency / Bankruptcy | 6 | 11,060.38 | 11 | 13,121.87 |
| | Absconded | - | - | - | - |
| | Deceased | - | - | - | - |
| | Other | - | - | - | - |
| | Small Balance | 3 | 0.03 | 8 | 163.31 |
| | Uncollectable Old Debt | 1 | 2,650.28 | 1 | 2,844.95 |
| Total | | 10 | 13,710.69 | 20 | 16,130.13 |

TABLE 3 SUMMARY OF ITEMS OVER £5,000 WHERE PERMISSION TO WRITE OFF IS REQUESTED

| TYPE OF DEBT | REASON FOR W/OFF | Financial Year 2020/21 | | Totals for Comparison purposes | |
|--------------------------|------------------------------|------------------------------|------------------|--------------------------------|-------------------|
| | | Financial Year Total 2020/21 | | Financial Year Total 2019/20 | |
| | | Cases | Amount | Cases | Amount |
| NON-DOMESTIC RATE | Insolvency / Bankruptcy | - | - | 3 | 123,504.56 |
| | Absconded | - | - | - | - |
| | Deceased | - | - | - | - |
| | Other | - | - | - | - |
| Total | | - | - | 3 | 123,504.56 |
| HOUSING BENEFIT | Insolvency / Bankruptcy | - | - | - | - |
| | Absconded | - | - | - | - |
| | Other | - | - | - | - |
| | Deceased | - | - | - | - |
| | Overpaid entitlement | - | - | 3 | 44,375.04 |
| Total | | - | - | 3 | 44,375.04 |
| COUNCIL TAX | Insolvency / Bankruptcy | 2 | 11,540.15 | 1 | 5,242.92 |
| | Absconded | - | - | - | - |
| | Other (inc. CTR overpayment) | - | - | - | - |
| Total | | 2 | 11,540.15 | 1 | 5,242.92 |
| SUNDRY DEBTORS | Insolvency / Bankruptcy | 1 | 11,643.35 | 1 | 6,759.59 |
| | Absconded | - | - | - | - |
| | Other | - | - | - | - |
| Total | | 1 | 11,643.35 | 1 | 6,759.59 |
| Grand Total | | 3 | 23,183.50 | 8 | 179,882.11 |

TABLE 4 NATIONAL & LOCAL COLLECTION STATISTICS RE 2019-20 COLLECTION RATES

Total amount collected in 2019-20 relating to 2019-20 financial year only (net of refunds relating to 2019-20)

| | Council Tax | | | Non Domestic Rates | | |
|-------------------|---|---|---|---|---|---|
| | Collectable Debit i.r.o. 19/20 - £000s | Net Cash Collected* i.r.o. 19/20 - £000s | Amount Collected i.r.o. 19/20 - %age | Collectable Debit i.r.o. 19/20 - £000s | Net Cash Collected* i.r.o. 19/20 - £000s | Amount Collected i.r.o. 19/20 - %age |
| All England | 32,076,334 | 31,061,572 | 96.8 | 26,416,752 | 25,899,784 | 98.0 |
| Shire Districts | 14,302,607 | 13,980,219 | 97.7 | 8,089,452 | 7,949,515 | 98.4 |
| East Devon | 114,469 | 112,968 | 98.7 | 36,001 | 35,249 | 97.9 |
| Exeter | 69,850 | 67,717 | 97.0 | 83,088 | 81,513 | 98.1 |
| Mid Devon | 56,699 | 55,465 | 97.8 | 15,755 | 15,569 | 98.8 |
| North Devon | 66,868 | 64,737 | 96.8 | 32,618 | 31,662 | 97.1 |
| Plymouth | 134,945 | 130,140 | 96.4 | 91,563 | 90,618 | 99.0 |
| South Hams | 74,533 | 73,269 | 98.3 | 30,430 | 30,025 | 98.7 |
| Teignbridge | 95,367 | 93,781 | 98.3 | 30,573 | 30,300 | 99.1 |
| Torbay | 86,107 | 82,361 | 95.7 | 34,356 | 32,672 | 95.1 |
| Torridge | 46,441 | 45,417 | 97.8 | 11,814 | 11,626 | 98.4 |
| West Devon | 41,235 | 40,290 | 97.7 | 10,690 | 10,436 | 97.6 |

* Net Cash Collected is total 2019-20 receipts net of refunds paid, in respect of 2019-20 only

TABLE 5 QUARTERLY INCOME IN 2019-20 RELATING TO ALL YEARS

Total amount collected in 2019-20 relating to any financial year (net of all refunds made in 2019-20)

| | Council Tax Net Cash Collected* £000s | Non Domestic Rates Net Cash Collected* £000s |
|--|---|--|
| Quarter 1 - Receipts collected between 1 st April – 30 th June | 12,069 | 3,604 |
| Quarter 2 - Receipts collected between 1 st July – 30 th September | 11,330 | 3,144 |
| Quarter 3 - Receipts collected between 1 st October – 31 st December | 11,622 | 2,263 |
| Quarter 4 - Receipts collected between 1 st January – 31 st March | 5,818 | 1,404 |

* Net Cash Collected is total receipts in 2019-2020 net of refunds paid, irrespective of the financial year (previous, current or future years) to which they relate

TABLE 6 PREVIOUS YEAR WRITE OFF TOTALS

| | | 2020 - 21 | 2019 - 20 | 2018 - 19 | 2017 - 18 | 2016 - 17 |
|--------------------|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| HOUSING BENEFIT | Under £5,000 cases | 12,990.50 | 104,270.24 | 75,961.02 | 117,461.11 | 28,341.72 |
| HOUSING BENEFIT | £5,000 or over cases | - | 44,375.04 | 12,721.09 | 17,126.57 | 15,685.10 |
| Total | | 12,990.50 | 148,645.28 | 88,682.11 | 134,587.68 | 44,026.82 |
| | | | | | | |
| COUNCIL TAX | Under £5,000 cases | 59,240.80 | 83,123.43 | 52,827.04 | 85,818.34 | 85,498.82 |
| COUNCIL TAX | £5,000 or over cases | 11,540.15 | 5,242.92 | - | 27,458.04 | - |
| Total | | 70,780.95 | 88,366.35 | 52,827.04 | 113,276.38 | 85,498.82 |
| | | | | | | |
| SUNDRY DEBTS | Under £5,000 cases | 28,284.38 | 4,006.46 | 16,145.70 | 85,064.24 | 15,895.01 |
| SUNDRY DEBTS | £5,000 or over cases | 11,643.35 | 6,759.59 | - | - | - |
| Total | | 39,927.73 | 10,766.05 | 16,145.70 | 85,064.24 | 15,895.01 |
| | | | | | | |
| NON DOMESTIC RATES | Under £5,000 cases | 13,710.69 | 16,130.13 | 9,704.04 | 8,876.14 | 10,517.74 |
| NON DOMESTIC RATES | £5,000 or over cases | - | 123,504.56 | 38,251.60 | 7,561.62 | 29,217.16 |
| Total | | 13,710.69 | 139,634.69 | 47,955.64 | 16,437.76 | 39,734.90 |
| | | | | | | |
| GRAND TOTAL | | 137,409.87 | 387,412.37 | 205,610.49 | 349,366.06 | 185,155.55 |

The total debts to be written off total £137,409.87 for the year 2020/21 as shown above. This is £114,226.37 of debts less than £5,000 (written off by the S151 Officer in accordance with Financial Regulations) and £23,183.50 of debts over £5,000, which this report recommends to the Hub Committee to write off, as detailed in Table 3. Over £43,000 of the value of debts to be written off for the year (£43,477.09) are for Council Tax debts where there has been insolvency or bankruptcy (Table 1).

TABLE 7 BAD DEBT PROVISION RELATING TO ALL YEARS

Total amount of bad debt provision for debts outstanding as at 31st March 2020

| | West Devon element (£) | Gross Collection Fund amount* (£) |
|------------------|------------------------|-----------------------------------|
| Council Tax | 406,500.31 | 2,645,969.60 |
| Business Rates | 247,996.80 | 619,992.00 |
| General Fund | 125,013.55 | 125,013.55 |
| Housing Benefit | 252,000.00 | 252,000.00 |
| Standard Charges | 3,485.23 | 3,485.23 |
| Total | 1,034,995.89 | 3,646,460.38 |

* Gross Collection Fund amount includes elements of Council Tax and Business Rates bad debts that relate to Central Government or other precepting bodies share of the provision.