

Report to: **Executive**

Date: **7 December 2017**

Title: **Write Off Report**

Portfolio Area: **Support Services**

Wards Affected: **All**

Relevant Scrutiny Committee:

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

Author: **Lisa Buckle** Role: **Section 151 Officer**

Contact: **Ext. 1413 lisa.buckle@swdevon.gov.uk**

Recommendations:

That the Executive:

- 1. notes that, in accordance with Financial Regulations, the Section 151 Officer has authorised the write-off of individual South Hams District Council debts totalling £66,076.68, as detailed in Tables 1 and 2; and**
- 2. approves the write off of individual debts in excess of £5,000 totalling £29,493.05, as detailed in Table 3.**

1. Executive summary

The Council is responsible for the collection of: Housing Rents, 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 being written off by the s151 Officer, under delegated authority. Permission needs to be sought from the Executive to write off individual debts with a value of more than £5,000.

This report covers the period 1st July 2017 to 30th September 2017.

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.

South Hams District Council's collection rates for 2016/17 were; Council Tax 98.12% & Business Rates 96.83%.

In the second quarter of 2017/18 the Council has collected £17.9 million in Council Tax and £7.7 million in Business Rates. The total collectable debt for 2017/18 (as at 30th September) for Council Tax is £66.5 million and for Business Rates is £31.6 million.

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

The Housing Benefit write offs for Quarter 2 are significantly higher than normal due to a data cleansing exercise recently carried out.

The decision was made to write off any debt that hadn't been pursued in the last 6 years as uncollectable debt, also debt less than £20.00 was written off as uneconomical to chase.

The cost to the Council of the housing benefits write offs of £69,000 is approximately £31,000, due to the remainder being claimed in housing benefit subsidy.

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 £2,574,766.10. 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 are written off by the Section 151 Officer under delegated authority. Cases where the debt exceeds £5,000 must, however, be approved by the Executive 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

5. Proposed Way Forward

The Executive 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		The relevant powers for this report are contained within the following legislation; 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)
Financial		South Hams District Council debts totalling £95,569.73 to be written-off
Risk	Reputation	Any risk to reputation is managed carefully by prompt recovery of amounts due wherever possible. 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

	Write Off	<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 issues for consideration.</p> <p>Any individual debt exceeding £5,000 is referred to members for consideration prior to write-off which accords with Financial regulations.</p>
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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 2016 / 17 Collection Rates

Table 5 – Quarterly income in 2016 / 17 relating to all years

Table 6 – Previous Year Write Off Totals

Background Papers:

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)

Recovery Policy

TABLE 1 SUMMARY OF SOUTH HAMS DISTRICT COUNCIL DEBT UNDER £5,000 WRITTEN OFF BY S151 OFFICER

TYPE OF DEBT	NUMBER OF CASES		No of people / business	REASON FOR W/OFF	Financial Year 2017/18			Totals for Comparison purposes			
	<£1000	>£1000			Quarter 2	Cumulative Total		Equivalent Quarter 2016/17		Grand Total 2016/17	
					Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount
HOUSING BENEFIT	4	23		Overpaid Entitlement	17,548.44	78	39,063.09	-	-	69	33,471.63
	3	-		Bankruptcy	3,454.06	6	6,859.74	-	-	2	796.60
	-	-		Absconded	-	-	-	-	-	2	1,100.70
	-	1		Deceased	12.32	1	12.32	-	-	15	3667.12
	-	3		Not cost effective to pursue	34.34	5	40.01	-	-	46	1,775.70
	7	99		Uncollectable old debt	25,593.25	119	32,590.36	-	-	65	27545.59
Total	14	126			46,642.41	209	78,565.52	-	-	199	68,357.34
COUNCIL TAX	2	8		Absconded	9,515.20	12	10,259.68	10	2,911.50	70	40,237.06
	1	-		Administrative Receivership	1,336.00	1	1,336.00	-	-	1	1,224.21
	1	1		Bankruptcy	1,621.49	15	21,074.98	6	2,609.09	33	26,773.69
	-	-		Deceased	-	-	-	4	615.45	9	1,433.79
	-	4		Small balance	30.63	5	50.63	2	27.50	9	108.41
	-	2		Other	69.90	8	3,248.36	12	9,434.27	47	23,709.53
	-	-		Uncollectable old debt	-	-	-	-	-	-	-
	-	-		Voluntary Bankruptcy	-	-	-	-	-	-	-
Total	4	15			12,573.22	41	35,969.65	34	15,597.81	169	93,486.69
SUNDRY DEBTS	-	-	-	Absconded	-	-	-	-	-	-	-
	1	-	1	Bankruptcy/DRO/IVA/CVA	3,251.06	1	3,251.06	-	-	-	-
	-	-	-	Not cost effective to pursue	-	-	-	-	-	-	-
	1	-	1	Other	1,052.68	1	1,052.68	-	-	1	1,321.50
	-	-	-	Administrative Receivership	-	-	-	-	-	-	-
	-	3	3	Small balance	0.80	3	0.80	-	-	-	-
Total	2	3			4,304.54	5	4,304.54	-	-	1	1,321.50
HOUSING RENTS	-	-		Bankrupt	-	-	-	-	-	-	-
	-	1		Not cost effective to pursue	90.10	1	90.10	-	-	-	-
	-	1		Absconded	38.19	1	38.19	-	-	-	-
	-	-		Uncollectable old debt	-	-	-	-	-	-	-
	-	-		Other	-	-	-	1	270.00	1	270.00
	-	-		Deceased	-	-	-	-	-	-	-
Total		2			128.29	2	128.29	1	270.00	1	270.00
Grand Total	20	146			63,648.46	257	118,968.00	35	15,867.81	370	163,435.53

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

TYPE OF DEBT	NUMBER OF CASES		No of people / business	REASON FOR W/OFF	Financial Year 2017/18			Totals for Comparison purposes				
	<£1000	>£1000			Quarter 2		Cumulative Total		Equivalent Quarter 2016/17		Grand Total 2016/17	
					Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount	
NON-DOMESTIC RATE	1	-	1	Absconded	2,428.22	1	2,428.22	-	-	1	1,165.70	
	-	-	-	Administrative Receivership	-	-	-	-	-	-	-	
	-	-	-	Liquidation	-	-	-	13	16,930.85	18	24,351.39	
	-	-	-	Voluntary Bankruptcy	-	-	-	-	-	-	-	
	-	-	-	Other	-	-	-	1	2,231.08	6	5,148.64	
	-	-	-	Uncollectable old Debt	-	-	-	-	-	-	-	
	-	-	-	Bankruptcy	-	-	-	1	1,607.71	2	2,147.05	
-	-	-	Deceased	-	-	-	-	-	-	-		
Total	1		1		2,428.22	1	2,428.22	15	20,769.64	27	32,812.78	

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

TYPE OF DEBT	NUMBER OF CASES	REASON FOR W/OFF	Financial Year 2017/18			Totals for Comparison purposes				
			Quarter 2		Cumulative Total		Equivalent Quarter 2016/17		Grand Total 2016/17	
			Amount (£)	Case	Amount	Cases	Amount	Cases	Amount	
NON-DOMESTIC RATE	-	Administrative Receivership	-	-	-	-	-	-	-	
	1	Liquidation	7,397.47	1	7,397.47	3	26,662.91	3	26,662.91	
	-	Absconded	-	-	-	-	-	-	-	
	-	Bankruptcy	-	-	-	-	-	1	9,650.91	
	-	Uncollectable old Debt	-	-	-	-	-	-	-	
	-	Company Voluntary Arrangement	-	-	-	1	10,814.18	-	-	
	-	Other	-	-	-	-	-	1	10,814.18	
Total	1		7,397.47	1	7,397.47	4	37,477.09	5	47,128.00	
HOUSING BENEFIT	1	Deceased	7,183.54	1	7,183.54	-	-	-	-	
	1	Overpaid Entitlement	5,991.22	2	13,168.64	-	-	-	-	
	-	Uncollectable	-	1	5,558.67	-	-	1	5,394.07	
	1	Bankruptcy	8,920.82	2	18,551.90	-	-	-	-	
Total	3		22,095.58	6	44,462.75	-	-	1	5,394.07	
COUNCIL TAX	-	Absconded	-	-	-	-	-	-	-	
	-	Bankruptcy	-	-	-	-	-	-	-	
	-	Voluntary Arrangement	-	-	-	-	-	-	-	
Total	-		-	-	-	-	-	-	-	
Grand Total	4		29,493.05	7	51,860.22	4	37,477.09	6	52,522.07	

TABLE 4 NATIONAL & LOCAL COLLECTION STATISTICS RE 2016-17 COLLECTION RATES

Total amount collected in 2016-17 relating to 2016-17 financial year only (net of refunds relating to 2016-17)

	Council Tax			Non Domestic Rates		
	Collectable Debit i.r.o. 16/17 - £000s	Net Cash Collected* i.r.o. 16/17 - £000s	Amount Collected i.r.o. 16/17 - %age	Collectable Debit i.r.o. 16/17 - £000s	Net Cash Collected* i.r.o. 16/17 - £000s	Amount Collected i.r.o. 16/17 - %age
All England	26,797,092	26,038,596	97.2	24,643,214	24,205,471	98.2
Shire Districts	12,285,320	12,047,031	98.1	7,988,405	7,861,058	98.4
East Devon	94,072	93,145	99.0	35,024	34,571	98.7
Exeter	58,500	56,631	96.8	81,594	79,281	97.2
Mid Devon	47,266	46,369	98.1	15,924	15,793	99.2
North Devon	55,106	53,567	97.2	32,249	30,995	96.1
Plymouth	112,379	108,918	96.9	94,732	93,726	98.9
South Hams	62,914	61,729	98.1	32,850	31,808	96.8
Teignbridge	79,657	78,492	98.5	32,897	32,701	99.4
Torbay	70,863	67,673	95.5	38,589	37,279	96.6
Torrige	38,659	37,965	98.2	11,617	11,387	98.0
West Devon	35,504	34,529	97.3	11,328	11,068	97.7

* Net Cash Collected is total 2016-17 receipts net of refunds paid, in respect of 2016-17 only

TABLE 5 QUARTERLY INCOME IN 2016-17 RELATING TO ALL YEARS

Total amount collected in 2016-17 relating to any financial year (net of all refunds in 2016-17)

	Council Tax Net Cash Collected* £000s	Non Domestic Rates Net Cash Collected* £000s
Quarter 1 - Receipts collected between 1 st April – 30 th June	18,681	9,317
Quarter 2 - Receipts collected between 1 st July – 31 st September	17,169	8,486
Quarter 3 - Receipts collected between 1 st October – 31 st December	17,775	7,611
Quarter 4 - Receipts collected between 1 st January – 31 st March	8,446	4,527

* Net Cash Collected is total receipts in 2016-17 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

		2016 - 17	2015 - 16	2014 - 15	2013- 14	2012 - 13	2011 - 12
HOUSING BENEFIT	Under £5,000 cases	68,357.34	57,038.07	102,138.53	75,357.30	87,095.83	74,868.17
HOUSING BENEFIT	£5,000 or over cases	5,394.07	7,177.42	0.00	14,903.19	61,925.43	0.00
Total		73,751.41	64,215.49	102,138.53	90,260.49	149,021.26	74,868.17
COUNCIL TAX	Under £5,000 cases	93,486.69	54,831.67	97,927.30	117,528.97	96,025.52	112,674.76
COUNCIL TAX	£5,000 or over cases	0.00	0.00	0.00	23,090.93	6,782.09	12,160.58
Total		93,486.69	54,831.67	97,927.30	140,619.90	102,807.61	124,835.34
SUNDRY DEBTS	Under £5,000 cases	1,321.50	9.03	6,584.63	2,723.23	12,811.29	28,170.96
SUNDRY DEBTS	£5,000 or over cases	0.00	0.00	0.00	0.00	0.00	0.00
Total		1,321.50	9.03	6,584.63	2,723.23	12,811.29	28,170.96
HOUSING RENTS	Under £5,000 cases	270.00	0.00	3,113.38	1,037.83	3,143.83	3,048.57
HOUSING RENTS	£5,000 or over cases	0.00	0.00	0.00	0.00	0.00	0.00
Total		270.00	0.00	3,113.38	1,037.83	3,143.83	3,048.57
NON DOMESTIC RATES	Under £5,000 cases	32,812.78	37,074.12	75,016.54	70,809.92	39,115.54	54,011.11
NON DOMESTIC RATES	£5,000 or over cases	47,128.00	252,084.33*	166,412.60	44,546.85	76,663.15	84,187.61
Total		79,940.78	289,158.45	241,429.14	115,356.77	115,778.69	138,198.72
GRAND TOTAL		248,770.38	408,214.64	451,192.98	349,998.22	383,562.68	369,121.76

* 2015-16; of the £252,084.33, £49,200.47 relates to one business going into liquidation, £83,674.59 relates to another business going into liquidation and a further £56,813.18 relates to an individual entering into a Voluntary Arrangement.