

Report to: **Executive**
Date: **26 January 2023**
Title: **Write Off Report 2021/22**
Portfolio Area: **Support Services – Cllr Bastone**
Wards Affected: **All**
Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: Upon the expiry of the call-in period (5.00pm on Monday, 6 February 2023)

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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 £109,470.76 as detailed in Tables 1 and 2.**
- 2. approves the write-off of individual debts in excess of £5,000 totalling £132,033.97, as detailed in Table 3.**
- 3. agrees, in principle, to approve a supplementary Write Off Policy, which will be brought to the next meeting of this Committee for implementation effective from 1 April 2023.**

1. Executive summary

- 1.1 The Council is responsible for the collection of: Housing Rents, Sundry Debts including Housing Benefit Overpayments, Council Tax and National Non-Domestic Rates.
- 1.2 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 Executive to write off individual debts with a value of more than £5,000.

- 1.3 This report covers the period 1st October 2021 to 31st March 2022 and the total debt to be written off is £241,504.73. The primary reason for this increase is due to individuals and businesses using insolvency measures such as bankruptcy, liquidation, debt relief orders and individual voluntary arrangements as a way of discharging their indebtedness.
- 1.4 The Council previously approved a corporate debt recovery policy with Write Off procedures also being set out within Financial Procedure Rules. To supplement these arrangements, it is recommended that a separate Write Off policy is agreed to ensure a consistency of approach across all Council services.

2. Background

- 2.1 The Council's sound financial management arrangements underpin delivery of all the Council's priorities, including the commitment to providing value for money services.
- 2.2 This report forms part of the formal debt write off procedures included in these financial arrangements.
- 2.3 The Council's collection rate for 2021/22 for Council Tax was 98.3% which is 2.5% higher than the national average of 95.8%.
- 2.4 The Council's collection rate for Business Rates was 98.1% which is above the national average of 95.5%. Debts outstanding for 2021/22 will continue to be pursued.
- 2.5 Debts are recovered in accordance with the Council's Recovery Policy which is published on our website.
- 2.6 Alongside the Recovery Policy, it is recommended that Members, at a future meeting, consider a supplementary policy framework for the writing off of debt. Effective and transparent write off policies and procedures contribute to the efficient management of debt.
- 2.7 The supplementary write off policy will ensure consistent debt recovery processes and procedures and all officers will better understand their roles and responsibilities in the process thus ensuring the effective management of debt.
- 2.8 The writing off of debt which is irrecoverable is recognised as good practice by the Department for Housing Levelling Up and Communities, the Chartered Institute for Public Finance and Accountancy and the Department for Work and Pensions. Debts are only considered for write off after taking all possible steps to collect. It is important to ensure that processes and procedures are frequently reviewed to ensure maximum effectiveness in debt collection and recovery.

- 2.9 A supplementary policy will ensure that a professional, consistent and timely approach is taken to the writing off of debt.

3. Outcomes/outputs

- 3.1 In accordance with good financial management principles, the Council makes appropriate bad debt provisions for all revenue streams detailed in this report. 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.
- 3.2 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 to secure payment.
- 3.3 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.
- 3.4 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 Executive prior to the debt being written off.
- 3.6 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.
- 3.7 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

- 4.1 The Executive can either approve 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

- 5.1 The Executive approves the write off of individual debts in excess of £5,000 as detailed in Table 3.
- 5.2 The Executive notes it will be asked to consider a supplementary write off policy setting out write off processes and procedures, thus ensuring consistency in the writing off of debt owed to the Council.

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 Rates) Section 14 Local Government Finance Act 1992 (Council Tax)</p>
Financial implications to include reference to value for money		<p>The Executive notes that, in accordance with Financial Regulations, the Section 151 Officer has authorised the write-off of individual South Hams District Council debts totalling £109,470.76 as detailed in Tables 1 and 2.</p> <p>It is recommended that the Executive approves the write off of individual debts in excess of £5,000 totalling £132,033.97, as detailed in Table 3.</p> <p>The total debts to be written off are £241,504.73.</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 2021/22 Collection Rates

Table 5 – Quarterly income in 2021/22 relating to all years

Table 6 – Previous Year Write Off Totals

Background Papers:

There are none

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 WRITE OFF	Financial Year 2021/22			Totals for Comparison purposes			
	<£1000	>£1000			Quarter 3 & 4	Full Year Total		Equivalent Quarters 2020/21		Grand Total 2020/21	
					Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount
HOUSING BENEFIT	2	1		Overpaid Entitlement	2,044.61	13	3,355.22	15	3,224.92	41	10,461.25
	1	-		Insolvency / Bankruptcy	921.17	5	7,434.39	4	4,652.57	11	10,334.69
	-	-		Absconded	-	-	-	-	-	-	-
	4	-		Deceased	580.36	6	817.11	4	3,955.79	7	5,099.18
	5	-		Not cost effective to pursue	69.87	9	81.08	9	126.40	18	183.19
	23	1		Uncollectable old debt	8,462.98	28	10,662.60	10	6,521.52	26	9,444.46
Total	35	2			12,078.99	61	22,350.40	42	18,481.20	103	35,522.77
COUNCIL TAX	1	-		Absconded	187.03	10	3,344.26	18	5,127.63	44	20,967.29
	27	21		Insolvency / Bankruptcy	52,294.52	65	71,046.38	39	39,709.82	82	82,141.83
	7	-		Deceased	450.47	17	13,270.48	12	5,370.66	12	5,370.66
	140	-		Small balance	818.47	152	838.53	107	98.25	113	101.78
	13	1		Other (inc. CTR overpayment)	3,794.41	15	4,110.06	5	1,266.97	8	4,072.42
	273	-		Uncollectable old debt	11,874.64	276	14,057.65	6	2,025.39	13	3,552.30
Total	461	22			69,419.54	535	106,667.36	187	53,598.72	272	116,206.28
SUNDRY DEBTS	-	-	-	Absconded	-	52	6,191.57	2	730.15	4	1,013.32
	-	-	-	Insolvency / Bankruptcy	-	7	3,011.07	3	844.70	5	1,857.70
	-	-	-	Not able to recover	-	9	682.85	3	1,282.80	16	4,851.53
	-	-	-	Other	-	-	-	6	1,223.67	7	2,423.67
	17	-	15	Not economical to collect	3.73	99	2,279.32	188	12,415.64	255	14,818.47
	-	-	-	Deceased	-	5	499.06	-	-	-	-
Total	17	-			3.73	172	12,663.87	202	16,496.96	287	24,964.69
Grand Total	513	24			81,502.26	768	141,681.63	431	88,576.88	662	176,693.74

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 WRITE OFF	Financial Year 2021/22			Totals for Comparison purposes			
	<£1000	>£1000			Quarters 3 & 4	Cumulative Total		Equivalent Quarters 2020/21		Grand Total 2020/21	
						Amount (£)	Cases	Amount	Cases	Amount	Cases
NON-DOMESTIC RATE	-	-		Absconded	-	-	-	-	-	-	-
	4	10	14	Insolvency / Bankruptcy	27,966.99	16	33,086.33	4	8,577.71	5	10,777.71
	2	-	2	Other (inc. small balances)	1.51	2	1.51	3	0.93	4	0.94
	-	-		Uncollectable old Debt	-	-	-	1	143.81	1	143.81
	-	-		Deceased	-	-	-	1	135.23	1	135.23
Total	6	10	16		27,968.50	18	33,087.84	9	8,857.68	11	11,057.69

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

TYPE OF DEBT	NUMBER OF CASES	REASON FOR WRITE OFF	Financial Year 2021/22			Totals for Comparison purposes			
			Quarters 3 & 4	Cumulative Total		Equivalent Quarters 2020/21		Grand Total 2020/21	
				Amount (£)	Case	Amount	Cases	Amount	Cases
NON-DOMESTIC RATE	11	Insolvency / Bankruptcy	102,833.59	15	137,870.43	3	33,604.12	4	209,556.4
	-	Absconded	-	-	-	-	-	-	-
	-	Uncollectable old Debt	-	-	-	-	-	-	-
	-	Other	-	-	-	-	-	-	-
Total	11		102,833.59	15	137,870.43	3	33,604.12	4	209,556.4
HOUSING BENEFIT	-	Deceased	-	-	-	-	-	-	-
	2	Overpaid Entitlement	29,200.38	3	35,328.72	-	-	-	-
	-	Uncollectable	-	-	-	-	-	-	-
	-	Insolvency / Bankruptcy	-	-	-	-	-	-	-
Total	2		29,200.38	3	35,328.72	-	-	-	-
COUNCIL TAX	-	Absconded	-	-	-	-	-	-	-
	-	Insolvency / Bankruptcy	-	-	-	-	-	1	6,657.2
	-	Other (inc. CTR overpayment)	-	-	-	-	-	-	-
Total	-		-	-	-	-	-	1	6,657.2
SUNDRY DEBTORS	-	Insolvency / Bankruptcy	-	-	-	-	-	2	17,323.6
	-	Uncollectable old debt	-	-	-	-	-	-	-
	-	Absconded	-	-	-	-	-	1	7,869.7
	-	Deceased	-	-	-	-	-	-	-
Total	-		-	-	-	-	-	3	25,193.3
Grand Total	13		132,033.97	18	173,199.15	3		8	241,406.9

33,604.12

TABLE 4 NATIONAL & LOCAL COLLECTION STATISTICS RE 2021-22 COLLECTION RATES

Total amount collected in 2021-22 relating to 2021-22 financial year only (net of refunds relating to 2021-22)

	Council Tax			Non Domestic Rates		
	Collectable Debit i.r.o. 21/22 - £000s	Net Cash Collected* i.r.o. 21/22 - £000s	Amount Collected i.r.o. 21/22 - %age	Collectable Debit i.r.o. 21/22 - £000s	Net Cash Collected* i.r.o. 21/22 - £000s	Amount Collected i.r.o. 21/22 - %age
All England (National Average)	35,341,791	33,874,616	95.8	21,752,246	20,776,105	95.5
Shire Districts	14,763,647	14,352,313	97.2	6,346,429	6,156,361	97.0
East Devon	126,747	125,322	98.9	27,482	26,760	97.4
Exeter	76,883	74,209	96.5	58,968	57,946	98.3
Mid Devon	63,679	61,560	96.7	12,500	12,322	98.6
North Devon	74,340	72,028	96.9	24,152	23,538	97.5
Plymouth	145,806	141,062	96.8	68,823	67,719	98.4
South Hams	83,346	81,964	98.3	23,611	23,170	98.1
Teignbridge	105,041	102,860	97.9	23,804	23,563	99.0
Torbay	94,060	89,590	95.3	23,111	20,908	90.5
Torrige	51,510	50,250	97.6	8,900	8,761	98.4
West Devon	45,967	44,955	97.8	8,246	7,724	93.7

* Net Cash Collected is total 2021-22 receipts net of refunds paid, in respect of 2021-22 only

TABLE 5 QUARTERLY INCOME IN 2021-22 RELATING TO ALL YEARS

Total amount collected in 2021-22 relating to any financial year (net of all refunds in 2021-22)

	Council Tax Net Cash Collected* £000s	Non Domestic Rates Net Cash Collected* £000s
Quarter 1 - Receipts collected between 1 st April – 30 th June	24,542	6,651
Quarter 2 - Receipts collected between 1 st July – 31 st September	22,001	5,673
Quarter 3 - Receipts collected between 1 st October – 31 st December	23,981	6,703
Quarter 4 - Receipts collected between 1 st January – 31 st March	12,475	4,758

* Net Cash Collected is total receipts in 2021-22 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	2015 - 16
HOUSING BENEFIT	Under £5,000 cases	35,522.77	100,182.18	71,150.67	151,891.76	68,357.34	57,038.07
HOUSING BENEFIT	£5,000 or over cases	0.00	7,615.46	30,773.79	63,513.87	5,394.07	7,177.42
Total		35,522.77	107,797.64	101,924.46	215,405.63	73,751.41	64,215.49
COUNCIL TAX	Under £5,000 cases	116,206.28	111,054.11	94,052.07	95,979.12	93,486.69	54,831.67
COUNCIL TAX	£5,000 or over cases	6,657.17	14,327.98	17,985.43	0.00	0.00	0.00
Total		122,863.45	125,382.09	112,037.50	95,979.12	93,486.69	54,831.67
SUNDRY DEBTS	Under £5,000 cases	24,964.69	22,296.30	38,131.86	102,792.98	1,321.50	9.03
SUNDRY DEBTS	£5,000 or over cases	25,193.34	9,814.41	41,940.58	73,929.08	0.00	0.00
Total		50,158.03	32,110.71	80,072.44	176,722.06	1,321.50	9.03
HOUSING RENTS	Under £5,000 cases	*	*	0.00*	128.29	270.00	0.00
HOUSING RENTS	£5,000 or over cases	*	*	0.00*	0.00	0.00	0.00
Total		*	*	0.00*	128.29	270.00	0.00
NON DOMESTIC RATES	Under £5,000 cases	11,057.69	31,067.77	13,655.99	20,832.66	32,812.78	37,074.12
NON DOMESTIC RATES	£5,000 or over cases	209,556.44	244,190.88	82,356.99	20,030.54	47,128.00	252,084.33
Total		220,614.13	275,258.65	96,012.98	40,863.20	79,940.78	289,158.45
GRAND TOTAL		429,158.38	540,549.09	390,047.38	529,098.30	248,770.38	408,214.64

*Housing Rents write offs now included within Sundry Debts figures