

Report to: **Executive**
Date: **2 March 2023**
Title: **Write-Off Report Q1 and Q2 2022/23**
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 Overview & Scrutiny Call-in Period – 5.00pm on Monday, 13 March 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 £94,271.49 as detailed in Tables 1 and 2;**
- 2. approves the write-off of individual debts in excess of £5,000 totalling £81,599.34, as detailed in Table 3.**
- 3. adopts, with effect from 1 April 2023, the Council Tax, Non-Domestic rates (Business Rates) and Housing Benefit overpayments write-off policy, attached at Appendix A.**

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 Rate.
- 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 April 2022 to 30th September 2022, with the total of South Hams District Council debts to be written off being £175,870.83.
- 1.4 At its meeting of 26 January 2023, the Executive gave agreement in principle to the establishment of a supplementary Write-Off Policy to be brought to the next meeting of the Executive and the proposed write-Off policy, which will be effective from 1 April 2023, is attached at Appendix A.

- 1.5 Officers are also recommending that write-off reports presented from 1 April 2023, will be in a slightly different format. At present, the report details debt written off during a quarter regardless of the financial year to which it relates.
- 1.6 One of the key outcomes of the Revenues and Benefits Service Review is the improvement of collection rates for Council Tax and Non-Domestic Rates. By reporting write-offs by financial year, there will be clearer reporting of what proportion of debt is written off in year in relation to the overall yearly collection rate. We will also compare collection performance against shire districts as this will give a better benchmark of how performance compares to similar local authorities.

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 and this report forms part of the formal debt write-off procedures included in these financial arrangements.
- 2.2 The writing off of debt which is irrecoverable is recognised as good practice by the Department of Housing, Levelling Up and Communities, the Chartered Institute of Public Finance and Accountancy and the Department for Work and Pensions. Debts are only considered for write-off after the Council has taken all possible steps to collect. It is important that processes and procedures are frequently reviewed to ensure maximum effectiveness in debt collection and recovery.
- 2.3 Whilst it is recognised that the majority of income owed to the Council will be successfully billed for and collected, there are a variety of reasons why debt will become irrecoverable and needs to be written off. Debts will only be recommended for write-off once all options to recover and enforce them, as allowed for by the relevant legislation, have been exhausted.
- 2.4 When it is certain that the debts are irrecoverable or the cost of recovery would outweigh the benefit, debts should be written off following appropriate review and authorisation and with reference to the proposed write-off policy. A full audit trail should be retained.
- 2.5 The council has a good track record of collecting debt. The Council's collection rate for 2021/22 was 98.3% which is 2.4% higher than the national average of 95.9%. The Council's collection rate for Business Rates was 98.1% which is above the national average of 95.5%. This compares to collection rates for 2020/21 which were 97.8% for Council Tax and 91.7% for Business Rates.
- 2.6 Collection rates for the 2022/23 financial year are on track and any debts outstanding for previous financial years continue to be pursued.
- 2.7 Debts are recovered in accordance with the Council's Recovery Policy which is published on our website.

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 Council's debts will prove irrecoverable and ensures that the value of debtors within the Council'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 enforcement agents or the Council’s legal team in order 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.
- 3.5 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.
- 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.

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 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.
- 4.2 If debts remain on the system, it may result in additional time and cost spent in pursuing the debt when there is no realistic prospect of recovery. This is an inefficient use of the Council’s staffing resources

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 the debts under £5,000 approved for write off by the Section 151 Officer as detailed in Tables 1 and 2.
- 5.3 The Executive approves the Council Tax, Non-Domestic Rates (Business Rates) and Housing Benefit overpayments write-off policy which will come into force from 1 April 2023.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		The relevant billing, collection and recovery processes are governed by statutory provisions

		<p>linked to the type of debt. Debts will be written off in accordance with the Council's Financial Procedure Rules, the attached write-off policy and any legislation relevant to the type of debt. All relevant enforcement remedies will be pursued before a recommendation to write off is made.</p> <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>A clear process for the writing off of irrecoverable debt represents effective financial management practice. To continue to pursue debt when it is no longer cost effective to do so is an inefficient use of resources.</p> <p>Provision for bad debts is made in the Council's accounts.</p> <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 £94,271.49 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 £81,599.34, as detailed in Table 3. The total debts to be written off are £175,870.83.</p>
Risk		<p>The Council Tax, Non-Domestic Rates (Business Rates) and Overpaid Housing Benefit write-off policy will provide assurance regarding controls and the operational process in recovering debt. It should be recognised, however, that due to the volume, value and nature of annual debt due to the Council there will always be irrecoverable amounts which will be recommended for write off once all enforcement remedies have been exhausted. A provision for bad debts is made in the Councils' accounts.</p> <p>The debt recovery policy and the proposed write-off policy and supporting procedures are in place to minimise risk.</p>
Supporting Corporate Strategy		Delivering efficient and effective services
Consultation & Engagement Strategy		None directly relevant to the content of this report.
Climate Change - Carbon /		No direct carbon/biodiversity impact arising from the recommendations

Biodiversity Impact		
Comprehensive Impact Assessment Implications		
Equality and Diversity		<p>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.</p> <p>The Council's approach to dealing with debtors remains fundamentally unchanged, however through formalising the policy and procedures we will be better able to engage with debtors who may potentially have tried to ignore their debts.</p>
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 Council.

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

Appendix A – Council tax, Non-Domestic Rates (Business Rates) and Housing Benefit Overpayments Write-Off Policy

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 W/OFF	Financial Year 2022/23		Totals for Comparison purposes			
	<£1000	>£1000			Quarters 1 & 2 Total		Equivalent Quarters 2021/22		Grand Total 2021/22	
					Cases	Amount	Cases	Amount	Cases	Amount
HOUSING BENEFIT	5	1		Overpaid Entitlement	6	5,354.42	10	1,310.61	13	3,355.22
	-	-		Insolvency / Bankruptcy	-	-	4	£6,513.22	5	7,434.39
	-	-		Absconded	-	-	-	-	-	-
	5	2		Deceased	7	6,604.65	2	236.75	6	817.11
	7	-		Not cost effective to pursue	7	12.88	4	11.21	9	81.08
	5	-		Uncollectable old debt	5	325.37	4	2,199.62	28	10,662.60
Total	22	3			25	12,297.32	24	10,271.41	61	22,350.40
COUNCIL TAX	3	-		Absconded	3	700.10	9	3,157.23	10	3,344.26
	23	15		Insolvency / Bankruptcy	38	44,804.46	17	18,751.86	65	71,046.38
	2	3		Deceased	5	6,073.47	10	12,820.01	17	13,270.48
	59	-		Small balance	59	2,797.65	12	20.06	152	838.53
	-	-		Other (inc. CTR overpayment)	-	-	1	315.65	15	4,110.06
	2	-		Uncollectable old debt	2	708.59	3	2,183.01	276	14,057.65
Total	89	18			107	55,084.27	52	37,247.82	535	106,667.36
SUNDRY	-	-		Absconded	-	-	52	6,191.57	52	6,191.57

DEBTS	-	-	Insolvency / Bankruptcy	-	-	7	3,011.07	7	3,011.07
	-	-	Not able to recover	-	-	9	682.85	9	682.85
	-	-	Other	-	-	-	-	-	-
	25	-	Not economical to collect	25	3,459.59	82	2,275.59	99	2,279.32
	-	-	Deceased	-	-	5	499.06	5	499.06
Total	25	-		25	3,459.59	155	12,660.14	172	12,663.87
Grand Total	136	21		157	70,841.18	231	60,179.37	768	141,681.63

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 2022/23		Totals for Comparison purposes			
	<£1000	>£1000			Quarters 1 & 2 Total		Equivalent Quarters 2021/22		Grand Total 2021/22	
					Cases	Amount	Cases	Amount	Cases	Amount
NON-DOMESTIC RATE	-	-	-	Absconded	-	-	-	-	-	-
	5	6	10	Insolvency / Bankruptcy	11	16,244.13	2	5,119.34	16	33,086.33
	6	-	4	Other (inc. small balances)	6	43.48	-	-	2	1.51
	1	3	3	Uncollectable old Debt	4	7,142.70	-	-	-	-
	-	-	-	Deceased	-	-	-	-	-	-
Total	12	9	17		21	23,430.31	2	5,119.34	18	33,087.84

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 2022/23		Totals for Comparison purposes			
			Quarters 1 & 2 Total		Equivalent Quarter 2021/22		Grand Total 2021/22	
			Cases	Amount	Cases	Amount	Cases	Amount
NON-DOMESTIC RATE	2	Insolvency / Bankruptcy	2	45,793.08	4	35,036.84	15	137,870.43
	-	Absconded	-	-	-	-	-	-
	-	Uncollectable old Debt	-	-	-	-	-	-
	-	Other	-	-	-	-	-	-
Total	2		2	45,793.08	4	35,036.84	15	137,870.43
HOUSING BENEFIT	-	Deceased	-	-	-	-	-	-
	-	Overpaid Entitlement	-	-	1	6,128.34	3	35,328.72
	-	Uncollectable	-	-	-	-	-	-
	-	Insolvency / Bankruptcy	-	-	-	-	-	-
Total	-		-	-	1	6,128.34	3	35,328.72

COUNCIL TAX	-	Absconded	-	-	-	-	-	-
	4	Insolvency / Bankruptcy	4	30,723.16	-	-	-	-
	1	Other (inc. CTR overpayment)	1	5,083.10	-	-	-	-
Total	5		5	35,806.26	-	-	-	-
SUNDRY DEBTORS	-	Insolvency / Bankruptcy	-	-	-	-	-	-
	-	Uncollectable old debt	-	-	-	-	-	-
	-	Absconded	-	-	-	-	-	-
	-	Deceased	-	-	-	-	-	-
Total	-		-	-	-	-	-	-
Grand Total	7		7	81,599.34	5	41,165.18	18	173,199.15

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	33,875,551	95.9	21,752,276	20,776,450	95.5
Shire Districts	14,763,647	14,353,248	97.2	6,346,459	6,156,706	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

		2021-22	2020-21	2019-20	2018-19	2017-18	2016 - 17
HOUSING BENEFIT	Under £5,000 cases	22,350.40	35,522.77	100,182.18	71,150.67	151,891.76	68,357.34
HOUSING BENEFIT	£5,000 or over cases	35,328.72	0.00	7,615.46	30,773.79	63,513.87	5,394.07
Total		57,679.12	35,522.77	107,797.64	101,924.46	215,405.63	73,751.41
COUNCIL TAX	Under £5,000 cases	106,667.36	116,206.28	111,054.11	94,052.07	95,979.12	93,486.69
COUNCIL TAX	£5,000 or over cases	-	6,657.17	14,327.98	17,985.43	0.00	0.00
Total		106,667.36	122,863.45	125,382.09	112,037.50	95,979.12	93,486.69
SUNDRY DEBTS	Under £5,000 cases	12,663.87	24,964.69	22,296.30	38,131.86	102,792.98	1,321.50
SUNDRY DEBTS	£5,000 or over cases	-	25,193.34	9,814.41	41,940.58	73,929.08	0.00
Total		12,663.87	50,158.03	32,110.71	80,072.44	176,722.06	1,321.50
HOUSING RENTS	Under £5,000 cases	*	*	*	0.00*	128.29	270.00
HOUSING RENTS	£5,000 or over cases	*	*	*	0.00*	0.00	0.00
Total		*	*	*	0.00*	128.29	270.00
NON DOMESTIC RATES	Under £5,000 cases	33,087.84	11,057.69	31,067.77	13,655.99	20,832.66	32,812.78
NON DOMESTIC RATES	£5,000 or over cases	137,870.43	209,556.44	244,190.88	82,356.99	20,030.54	47,128.00
Total		170,958.27	220,614.13	275,258.65	96,012.98	40,863.20	79,940.78
GRAND TOTAL		347,968.62	429,158.38	540,549.09	390,047.38	529,098.30	248,770.38

*Housing Rents write offs now included within Sundry Debts figures