

**NOT FOR PUBLICATION**

This report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (applies to Appendix A)

Report to: **Executive**

Date: **6 June 2024**

Title: **Q3 and Q4 Write Off Report – 2023/24**

Portfolio Area: **Cllr Julian Brazil – Leader of Council**

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, 17 June

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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 debts totalling £74,023.54 as detailed in paragraph 3 of the report.**
- 2. Approves the write off of the individual debts totalling £124,438.41 as shown in Appendix A of the report.**

**1. Executive summary**

- 1.1** The Council is responsible for the collection of Council Tax, Non-Domestic Rate, overpaid Housing Benefit and Sundry Debt.
- 1.2** This report informs members of debt written off for these revenue streams. Debt up to the value of £5,000 can be written off by the Section 151 Officer under delegated authority. Permission needs to be sought from Executive Committee to write off individual debts with a value of more than £5,000. Members agreed a write off policy in March 2023 which sets out the circumstances in which a debt is deemed to be irrecoverable. This includes insolvency cases and where the debtor is deceased or cannot be traced.

- 1.3 The report covers the period 1 October 2023 to 31 March 2024. The total amount of debt to be written-off is £198,461.95.
- 1.4 One of the key outcomes of the Revenues and Benefits Service Review is the improvement of collection rates for Council Tax and Non-Domestic Rate and the report includes information about the amount of debt written off by financial year as well as comparing collection performance against shire districts.
- 1.5 In 2022/23 the Council achieved a Council Tax collection rate of 98.6% which was significantly above the national average of 96% as well as the average for shire districts which was 97.2%. This performance placed South Hams District Council in the top quartile nationally. The Council Tax collection rate advised to the Department for Levelling Up, Housing and Communities on the QRC4 return is 98.35%. National collection rates for 2023/24 will not be published until June and, depending on timing, officers will give a verbal update to the Committee on how the Council's performance compares to the national picture.
- 1.6 For Non-Domestic Rates, the 2022/23 collection rate of 98% compares favourably to a national average of 96.8% and an average collection rate of 97.5% for shire districts. This performance placed the Council in the second quartile nationally in 2022/23. The Non-Domestic Rates collection rate advised to the Department for Housing, Levelling Up and Communities on the QRC4 return for 2023/24 is 98.93%.
- 1.7 Collection rates for 2023/24 will not be published until June and, depending on timing, officers will give a verbal update to the Committee on how the Council's performance compares to the national figures. It is, however, anticipated that this may move the Council to the top quartile.

## **2. Background**

- 2.1 The Council's sound financial management arrangements underpin the delivery of all the Council's priorities, including the commitment to provide value for money services. This report forms part of the formal debt write off procedures included in these financial arrangements. The Executive Committee agreed at its meeting of 2 March 2023 to adopt a Council Tax, Non-Domestic Rate (Business Rates) and Housing Benefit Overpayments write off policy to ensure transparency and consistency in decisions regarding the writing off of uncollectable debt.
- 2.2 It was also agreed that future write off reports would be presented in an updated format. Previously the report detailed debt written off during a quarter regardless of the financial year to which it relates. 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, as well as the collection of aged

debt, and the report contains additional detail on debts written off by financial year.

- 2.3 The writing off of debt which is irrecoverable is recognised as good practice by the Department for Levelling Up, Housing 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 we have taken all steps to collect them. It is important is that processes and procedures are frequently reviewed to ensure maximum effectiveness in debt collection and recovery.
- 2.4 Whilst it is recognised that most of the 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 recommended for write off once all options to recover and enforce them, as allowed for by the relevant legislation, have been exhausted.
- 2.5 When it is certain that debts are irrecoverable or the cost of recovery would outweigh the benefit, debts should be written off following appropriate review and authorisation with reference to the write off policy. A full audit trail is also retained.

### 3. Outcomes/outputs

#### Council Tax Write Offs

- 3.1 The table below shows Council Tax debts which have been approved for write off in Quarters 3 and 4 of 2023/24 by the Section 151 Officer under delegated powers. It also compares the cases and amounts against the corresponding quarters of the 2022/23 financial year.

<b>Reason for write off</b>	<b>No. of cases</b>	<b>2022/23 – Amount written off (£)</b>	<b>No. of cases</b>	<b>2023/24 – Amount written off (£)</b>
Debtors who cannot be traced	4	593.28	24	21,205.48
Death of a debtor	18	7,046.64	2	574.18
Insolvency	47	68,858.67	29	40,426.94
Small balance	149	1,574.53	1	0.01
Miscellaneous	6	734.68	2	121.87
Uncollectable old debt	8	774.43	3	1,373.32
<b>Total</b>	<b>232</b>	<b>79,582.23</b>	<b>61</b>	<b>63,701.80</b>

- 3.2 The primary reason for writing off Council Tax debt remains insolvency. This includes debt relief orders and bankruptcy and the

high level continues to reflect some of the financial issues council taxpayers may be experiencing due to the cost-of-living crisis. It should be noted, however, that the amount has reduced compared to the same period for 2022/23.

- 3.3 The increase in the number of debtors who cannot be traced reflects the work the team have been doing on collecting aged debt. Periodic searches are undertaken to see if a forwarding address is now known and, if it is, the debt will be written back on.

### **Council Tax Write Offs by financial year**

- 3.4 The breakdown below details the write offs by financial year. The Council's collection rate of 98.6% for 2022/23 was significantly above the average performance of Shire Districts which was 97.2%. The Council wrote off a small amount of debt in 2023/24. The council tax collection rate of 98.4% for 2023/24 is a significant achievement and it is anticipated that the Council will be in the top quartile nationally for the collection of council tax. In 2022/23 the top quartile was a collection rate above 98.07%.

Financial year	Amount written off (£)	In year Collection Rate	Shire District average
Pre 2018/19	23,521.45	Various	Various
2018/19	4,709.56	98.2%	97.9%
2019/20	9,236.98	98.3%	97.7%
2020/21	6,238.17	97.8%	96.9%
2021/22	5,637.48	98.3%	97.2%
2022/23	7,832.50	98.6%	97.2%
2023/24	6,525.66	98.4%	TBC
<b>Total</b>	<b>63,701.80</b>		

The cost of a write off for council tax is shared between SHDC and all of the other preceptors in the same proportion as the overall council tax bill. The financial impact on SHDC is 8% of the overall amount.

### **Council Tax Write Offs – over £5,000**

- 3.5 Permission needs to be sought from Executive Committee to write off individual debts with a value of over £5,000. As this information is confidential, the full details are contained in the exempt appendix however the high-level detail is as follows:

#### **Case 1**

**Amount - £5,754.35**

**Reason for write off – insolvency.**

#### **Case 2**

**Amount - £8,548.88**

**Reason for write off – insolvency.**

**Case 3**

**Amount - £40,148.78**

**Reason for write off – debtor lives abroad and the debt is unenforceable outside England and Wales.**

**Case 4**

**Amount - £8,640.87**

**Reason for write off – insolvency.**

**Case 5 and 6**

**Amount - £5,345.07 and £857.80**

**Reason for write off – no trace.**

**Case 7**

**Amount - £9,428.98**

**Reason for write off – insolvency.**

**Case 8 and 9 - £7,608.65 and £130.70**

**Reason for write off – insolvency.**

**Case 10 - £6,293.00**

**Reason for write off – debt relief order.**

**Non-Domestic Rate Write Offs**

3.6 The table below shows debts under £5,000 which have been approved for write off in quarters 3 and 4 of the 2023/24 financial year as approved by the Section 151 Officer under delegated powers. It also compares the cases and amounts against the corresponding quarters of the 2022/23 financial year.

Reason for write off	No. of cases	2022/23 – Amount written off (£)	No. of cases	2023/24 – Amount written off
Insolvency	32	56,419.80	6	4,828.01
Debtors who cannot be traced	0	0.00	0	0.00
Death of a debtor	0	0.00	0	0.00
Small balance	3	2.12	0	0.00
Uncollectable old debt	6	356.93	0	0.00
<b>Total</b>	<b>41</b>	<b>56,778.85</b>	<b>6</b>	<b>4,828.01</b>

3.7 The primary reason for writing off Non-Domestic Rate debt remains insolvency which is indicative of difficult trading conditions during the Covid-19 pandemic and the cost-of-living crisis. The write off figure has, however, significantly reduced when compared against the same period in 2022/23.

### **Non-Domestic Rate Write Offs by financial year**

3.8 The breakdown below details write-offs by financial year and compares our in-year collection rate against the average for shire districts. In quarters 3 and 4 of 2023/24 only aged debt was approved for write off by the S151 Officer. The business rates collection rate of 98.9% for 2023/24 is a significant achievement and it is anticipated that the Council will be in the top quartile nationally for the collection of business rates. In 2022/23 the top quartile was a collection rate above 98.49%.

Financial year	Amount written off (£)	In year collection rate	Shire District average
Pre 2018/19	4,828.01	Various	Various
2018/19	0.00	98.4%	98.4%
2019/20	0.00	98.7%	98.3%
2020/21	0.00	91.7%	95.0%
2021/22	0.00	98.1%	97.0%
2022/23	0.00	98.0%	97.5%
2023/24	0.00	98.9%	TBC
<b>Total</b>	<b>4,828.01</b>		

The cost of a write off for business rates is shared between SHDC, DCC and the Fire Authority as well as Central Government. The financial impact on SHDC is around 11% of the overall amount as this is the proportion of the amount billed that SHDC gets to keep for business rates.

### **Non-Domestic Rates Write-Offs over £5,000**

3.9 Permission needs to be sought from Executive Committee to write off individual debts with a value of over £5,000. Details of two cases are included in the exempt appendix:

#### **Case 1**

**Amount - £7,415.49**

**Reason – company dissolved.**

#### **Case 2**

**Amount - £7,459.36**

**Reason for write off – company dissolved.**

### **Housing Benefit Overpayments Write Offs**

3.10 The table below shows debts under £5,000 which have been approved for write-off in quarters 3 and 4 of 2023/24 by the Section 151 Officer under delegated powers. It also compares the number of cases and amounts to the same quarters in 2022/23.

Reason for write off	No. of cases	2022/23 – Amount written off (£)	No. of cases	2023/24 – Amount written off (£)
Insolvency	0	0.00	0	0.00
Death of a debtor	3	5,171.21	1	295.20
Small balance	5	30.19	6	98.75
Uncollectable old debt	10	1,182.63	0	0.00
Non-recoverable	78	6,231.67	10	5,099.78
<b>Total</b>	<b>96</b>	<b>12,615.70</b>	<b>17</b>	<b>5,493.73</b>

3.11 There has been a reduction in the amount written off in comparison to the same quarters for the 2022/23 financial year. This is due to good progress continuing to be made in collecting old debt because of improved data sharing with the Department for Work and Pensions and a dedicated post of Housing Benefits Overpayments Officer.

3.12 Unfortunately, we have seen a small increase in 'local authority error.' In these cases, the overpayment is not legally recoverable and we therefore have no choice other than to write it off. As part of the Revenues and Benefits Service Review, a new role of Training and Quality Assurance Officer has been recruited to with the successful candidate having joined the team in mid-April. This should result in more accurate processing and a reduction in the future write off of non-recoverable debts.

### **Housing Benefit Overpayments Write Offs over £5,000**

3.13 Permission needs to be sought from Executive Committee to write off individual debts with a value of over £5,000. Details of one case is included in the exempt appendix.

#### **Case 1**

**Amount - £16,806.48**

**Reason for write off – Debtor deceased.**

### **Sundry Debt Write Offs**

3.14 There were no sundry debts under £5,000 approved for write off in quarters 3 and 4 of 2023/24 by the Section 151 Officer under delegated powers.

### **Sundry Debt Write Offs over £5,000**

3.15 Permission needs to be sought from Executive Committee to write off individual debts with a value of over £5,000. There are no debts submitted to Members for permission to write off.

#### 4. Options available and consideration of risk

4.1 The Executive Committee 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 relevant system as an outstanding balance. In cases of insolvency there is no other option available to the Council other than to write off the debt.

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

#### 5. Proposed Way Forward

5.1 The Executive Committee approves the write off of individual debts more than £5,000 as detailed in Appendix A.

5.2 The Executive Committee notes the debts under £5,000 approved for write off by the Section 151 Officer under delegated powers.

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>The relevant billing, collection and recovery processes are governed by statutory provisions linked to the type of debt. Debts will be written off in accordance with the Council's Financial Procedure Rules, the Council Tax, Non-Domestic Rate (Business Rates) and Housing Benefit overpayments 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            Section 14 Local Government Finance Act 1992</p>
Financial implications to include reference		A clear process for the writing off of irrecoverable debt represents effective financial management practice. To continue to pursue debt when it is no



<p>to value for money</p>		<p>longer cost effective to do so is an inefficient use of resources. Provision for bad debts is made in the Council's accounts.</p> <p>The Committee notes that, in accordance with Financial Regulations, the Section 151 Officer has authorised the write off of individual Council debts totalling £74,023.54 as detailed in paragraph 3.</p> <p>It is recommended that the Committee approves the write off of the debts more than £5,000 for £124,438.41, as detailed in the exempt Appendix A. The total debts to be written off are £198,461.95.</p> <p>The cost of a write off for council tax is shared between SHDC and all of the other preceptors in the same proportion as the overall council tax bill. So the financial impact on SHDC is 8% of the overall amount.</p> <p>The cost of a write off for business rates is shared between SHDC, DCC and the Fire Authority, as well as Central Government. The financial impact on SHDC is around 11% of the overall amount as this is the proportion of the amount billed that SHDC gets to keep for business rates.</p>
<p>Risk</p>		<p>The Council Tax, Non-Domestic Rate (Business Rates) and Overpaid Housing Benefit write-off policy provides 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.</p> <p>A provision for bad debts is made in the Councils' accounts. The debt recovery policy and the write off policy and supporting procedures are in place to minimise risk.</p>
<p>Supporting Corporate Strategy</p>		<p>Delivering efficient and effective services.</p>

Consultation & Engagement Strategy		There is no requirement to consult.
Climate Change - Carbon / Biodiversity Impact		No direct carbon/biodiversity impact arising from the recommendations.
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity		All enforcement action prior to writing off debt is undertaken in accordance with the relevant legislation and accepted procedures. The Council's approach to dealing with debtors remains fundamentally unchanged, however through formalising policy and procedures we are better able to engage with debtors who have potentially tried to ignore their debts.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		A bad debt provision is built into the financial management of the Council.

### **Supporting Information**

#### **Appendices:**

A: List of Individual Debts (exempt)

#### **Background Papers:**

None