

NOT FOR PUBLICATION

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

Report to: **Executive**
Date: **30 November 2023**
Title: **Q3 and Q4 Write-Off Report – 2022/23**
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:

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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 £152,139.70 as detailed in paragraph 3 of the report; and**
- 2. Approves the write-off of the individual debts totalling £83,564.08 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 2022 to 31 March 2023. The total amount of debt to be written-off is £235,703.78. The amount written-off for the period 1 April 2022 to 30 September 2022, for all revenue streams, was £175,870.83.
- 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.
- 1.6 For Non-Domestic Rates, our 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 places us in the second quartile nationally.

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 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 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 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 be 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 and 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 2022/23 by the Section 151 Officer under delegated powers. It also compares the cases and amounts against the corresponding quarters of the 2021/22 financial year.

Reason for write off	No. of cases	2021/22 – Amount written off (£)	No. of cases	2022/23 – Amount written off (£)
Debtors who cannot be traced	1	187.03	4	593.28
Death of a debtor	7	450.47	18	7,046.64
Insolvency	48	52,294.52	47	68,858.67
Small balance	140	818.47	149	1,574.53
Miscellaneous	14	3,794.41	6	734.68
Uncollectable old debt	273	11,874.64	8	774.43
Total	483	69,419.54	232	79,582.23

- 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.

Council Tax Write-Offs by financial year

- 3.3 The breakdown below details the write-offs by financial year. Our collection rate of 98.6% for 2022/23 was significantly above the average performance of Shire Districts, which was 97.2%, and we wrote off a small amount of debt in year.

Financial year	Amount written off (£)	In year Collection Rate	Shire District average
Pre 2018/19	14,068.94	Various	Various
2018/19	4,937.16	98.2%	97.9%
2019/20	9,792.91	98.3%	97.7%
2020/21	9,239.36	97.8%	96.9%
2021/22	19,808.41	98.3%	97.2%
2022/23	21,735.45	98.6%	97.2%
Total	79,582.23		

Council Tax Write-Offs – over £5,000

- 3.4 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 - £5,213.50

Reason for write off – insolvency.

Case 2

Amount - £5,052.22

Reason for write off – insolvency.

Case 3

Amount - £6,506.29

Reason for write off – deceased.

Case 4

Amount - £6,517.40

Reason for write off – deceased.

The amounts requested for write-off by financial year are as follows:

Financial year	Amount to be written-off (£)	In-year collection rate	Shire District Average
Pre 2018/19	4,787.33	Various	Various
2018/19	3,386.17	98.2%	97.9%
2019/20	2,458.08	98.3%	97.7%
2020/21	2,879.12	97.8%	96.9%
2021/22	3,351.22	98.3%	97.2%
2022/23	3,448.54	98.6%	97.2%
Total	23,289.41		

Non-Domestic Rate Write-Offs

3.5 The table below shows debts under £5,000 which have been approved for write-off in quarters 3 and 4 of the 2022/23 financial year by the Section 151 Officer under delegated powers. It also compares the cases and amounts against the corresponding quarters of the 2021/22 financial year.

Reason for write off	No. of cases	2021/22 – Amount written off (£)	No. of cases	2022/23 – Amount written off
Insolvency	14	27,966.99	32	56,419.80
Debtors who cannot be traced	0	0.00	0	0.00
Death of a debtor	0	0.00	0	0.00
Small balance	2	1.51	3	2.12
Uncollectable old debt	0	0.00	6	356.93
Total	16	27,968.50	41	56,778.85

3.6 The primary reason for writing off Non-Domestic Rate debt remains insolvency which may be indicative of difficult trading conditions during the Covid-19 pandemic and the cost-of-living crisis.

Non-Domestic Rate Write-Offs by financial year

3.7 The breakdown below details write-offs by financial year and compares our in-year collection rate against the average for shire districts. A small amount of in year debt was written-off in 2022/23 and it should be noted that we achieved a NNDR collection rate of 98.0% compared to an average for Shire Districts of 97.5%.

Financial year	Amount written off (£)	In-year collection rate	Shire District average
Pre 2018/19	32,120.03	Various	Various
2018/19	9,253.77	98.4%	98.4%
2019/20	6,601.78	98.7%	98.3%
2020/21	1,850.65	91.7%	95.0%
2021/22	648.42	98.1%	97.0%
2022/23	6,304.20	98.0%	97.5%
Total	56,778.85		

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

- 3.8 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 - £46, 714.67

Reason – Company dissolved

The amounts requested for write off by financial year are as follows:

Financial year	Amount to be written off (£)	In-year collection rate	Shire District average
2020/21	19,585.75	91.7%	95.0%
2021/22	14,570.95	98.1%	97.0%
2022/23	12,557.97	98.0%	97.5%
Total	46,714.67		

Housing Benefit Overpayments Write-Offs

- 3.9 The table below shows debts under £5,000 which have been approved for write-off in quarters 3 and 4 of 2022/23 by the Section 151 Officer under delegated powers. It also compares the number of cases and amounts to the same quarters in 2021/22.

Reason for write off	No. of cases	2021/22 – Amount written off (£)	No. of cases	2022/23 – Amount written off (£)
Insolvency	1	921.17	0	0.00
Death of a debtor	4	580.36	3	5,171.21
Small balance	5	69.87	5	30.19
Uncollectable old debt	24	8,462.98	10	1,182.63
Non-recoverable	3	2,044.61	78	6,231.67
Total	37	12,078.99	96	12,615.70

- 3.10 The amount written-off in comparison to the same quarters for the 2021/22 financial year is very similar. Good progress has been made in collecting old debt due to improved data sharing with the Department for Work and Pensions. Unfortunately we have seen an 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 is about to be recruited to. This should result in

more accurate processing and a reduction in the future write-off of non-recoverable debt.

Sundry Debt Write-Offs

3.11 The table below shows debts under £5,000 which have been approved for write-off in quarters 3 and 4 of 2022/23 by the Section 151 Officer under delegated powers. It also compares the number of cases and amounts to the same quarters in 2021/22.

Reason for write off	No. of cases	2021/22 – Amount written off (£)	No. of cases	2022/23 – Amount written off (£)
Insolvency	17	3.73	4	3,162.91
Total	17	3.73	4	3,162.91

3.12 The amount of debt written-off is comparable across financial years and the reason for write-off remains insolvency which may be indicative of continuing difficult trading conditions.

Sundry Debt 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 on one case is included in the exempt appendix.

Case 1

Amount - £13,560.00

Reason – company dissolved.

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 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. 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 £152,139.70 as detailed in paragraph 3.</p> <p>It is recommended that the Committee approves the write-off of the debt more than £5,000 for £83,564.08, as detailed in the exempt Appendix A. The total debts to be written-off are £235,703.78.</p>
Risk		<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</p>

		<p>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>
Supporting Corporate Strategy		Delivering efficient and effective services.
Consultation & Engagement Strategy		There is no requirement to consult.
Climate Change - Carbon / Biodiversity Impact		No direct carbon/biodiversity impact arising from the recommendations.
Comprehensive Impact Assessment Implications		
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:

EXEMPT Appendix A

Background Papers:

None