

Report to: **Executive**

Date: **25 January 2024**

Title: **Quarter 1 and Quarter 2 Write-Off Report 2023/24**

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

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, 5 February 2024

Author: **Geni Hotchkiss** Role: **Head of Revenues and Benefits**

Contact: **geni.hotchkiss@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 debts totalling £100,891.81 as detailed in paragraph 3 of the report; and**
- 2. Approves the write-off of the individual debts totalling £52,754.20 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 approved for write-off by the Section 151 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. 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 April 2023 to 30 September 2023. The total amount of debt to be written-off is £153,646.01. The amount written-off for the corresponding two quarters of 2022/23, 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 Rates 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% and 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 the Council 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 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 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 available steps to collect them.
- 2.3 Whilst it is recognised that most of the income owed to the Council will be successfully billed or invoiced 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 Following the Revenues and Benefits Service Review, a new structure is in place with more focus on maximising both in-year and prior year income collection for council tax and business rates. As the team works through historic debt, it may be necessary to write-off debt due to the passage of time. This is only ever done

as a last resort and, in doing so, it enables the team to concentrate on the arrears we can recover. Alongside this there are now measures in place to ensure that debt isn't left to become 'aged' and we take further action in an appropriate and timely manner to meet the best interests of both the debtor and the Council.

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 1 and 2 of the 2023/24 financial year 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 (£)
Debtors who cannot be traced	3	700.10	60	33,428.33
Deceased	5	6,073.47	1	597.37
Insolvency	38	44,804.46	53	27,858.66
Small balance	59	2,797.65	5	105.79
Miscellaneous	0	0.00	1	344.33
Uncollectable old debt	2	708.59	53	20,323.56
Total	107	55,084.27	173	82,685.04

3.2 Whilst insolvency remains a significant contributory factor in increased write-off levels compared to the same period in 2022/23, the primary reason is the writing-off of historic debt for the reasons explained in paragraph 2.4.

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 Shire District Average of 97.2%.

Financial year	Amount written-off (£)	In-year Collection Rate	Shire District Average collection rate
Pre 2018/19	51,643.04	Various	Various
2018/19	3,821.78	98.2%	97.9%
2019/20	3,210.64	98.3%	97.7%
2020/21	4,914.77	97.8%	96.9%
2021/22	7,699.30	98.3%	97.2%
2022/23	7,997.05	98.6%	97.2%

2023/24	3,398.46		
Total	82,685.04		

Council Tax Write-Offs – over £5,000

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

Case 1

Amount – £6,458.99

Reason for write-off – deceased.

Case 2

Amount – £5,655.25

Reason for write-off – no trace.

Case 3

Amount – £2,464.85

Reason for write-off – bankruptcy.

Case 4

Amount – £3,391.17

Reason for write-off – bankruptcy.

Case 5

Amount – £3,066.27

Reason for write-off – bankruptcy.

Case 6

Amount – £6,885.35

Reason for write off – Individual Voluntary Arrangement.

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 collection rate
Pre 2018/19	16,141.89	Various	Various
2018/19	2,029.65	98.2%	97.9%
2019/20	3,418.79	98.3%	97.7%
2020/21	2,638.38	97.8%	96.9%
2021/22	1,748.92	98.3%	97.2%
2022/23	1,944.45	98.6%	97.2%
Total	27,922.08		

Non-Domestic Rates Write-Offs – under £5,000

- 3.5 The table below shows debts under £5,000 which have been approved for write-off in quarters 1 and 2 of the 2023/24 financial year by the Section 151 Officer under delegated powers. It also compares the number of cases and amounts against the corresponding quarters for 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
Debtors who cannot be traced	0	0.00	0	0.00
Deceased	0	0.00	1	947.25
Insolvency	11	16,244.13	3	7,339.01
Small balance	6	43.48	0	0.00
Miscellaneous	0	0.00	0	0.00
Uncollectable old debt	4	7,142.70	0	0.00
Total	21	23,430.31	4	8,286.26

- 3.6 The primary reason for writing off Non-Domestic Rate debt remains insolvency, however the amount has reduced by just under half when compared to the same quarters for the 2022/23 financial year.

Non-Domestic Rate Write-Offs under £5,000 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.

Financial year	Amount written-off (£)	In-year collection rate	Shire District average
Pre 2018/19	947.25	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	624.07	98.1%	97.0%
2022/23	1,166.07	98.0%	97.5%
2023/24	5,548.87		
Total	8,286.26		

- 3.8 There are no Non-Domestic Rate cases requiring approval from Members to write-off.

Housing Benefit Overpayments Write-Offs under £5,000

3.9 The table below shows debts under £5,000 which have been approved for write-off in quarters 1 and 2 of the 2023/24 financial year by the Section 151 Officer under delegated powers. It also compares the number of cases and amounts against 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	1	466.72
Deceased	7	0.00	1	129.22
Small balance	7	12.88	6	73.64
Uncollectable old debt	5	325.37	2	1,915.38
Non-recoverable	6	5,354.52	16	3,967.05
Total	25	5,692.77	26	6,552.01

3.10 There has been an increase in the amount written-off in comparison to the same quarters for 2022/23, although the overall total remains small. It is good to note that there has been a reduction in the amount of non-recoverable debt written-off. These are cases where there has either been 'local authority error' or 'DWP error'. The overpayment is not legally enforceable and we therefore have no choice other than to write this off. Of the total amount of £3,967.05 it should be noted that £579.08 related to DWP error.

Housing Benefit Overpayments Write-Offs over £5,000

3.11 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 exempt Appendix A.

Case 1

Amount – £7,671.50

Reason for write-off – deceased.

Case 2

Amount – £17,160.62

Reason for write-off – non-recoverable.

Sundry Debt Write-Offs under £5,000

3.12 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 and cases and amount 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 (£)
Debtors who cannot be traced	0	0.00	5	1,257.30
Other	0	0.00	1	2,111.20
Uneconomical to collect	25	3,459.59	0	0.00
Total	25	3,459.59	6	3,368.50

3.13 A similar amount of sundry debt was written-off in quarters 1 and 2 of the 2023/24 financial year.

3.14 There are no debts over £5,000 requiring approval from Members to write off.

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 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 the debt remains 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 approves the write-off of individual debts of more than £5,000 as detailed in Appendix A.

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

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 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

		<p>(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 Executive notes that, in accordance with Financial Regulations, the Section 151 Officer has authorised the write-off of individual Council debts totalling £100,891.81 as detailed in paragraph 3.</p> <p>It is recommended that the Executive approves the write-off of the debt more than £5,000 for £52,754.20, as detailed in the exempt Appendix A. The total debts to be written-off are £153,646.01.</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 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 /		No direct carbon/biodiversity impact arising from the recommendations.

Biodiversity Impact		
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: Individual Debts proposed for Write-Off.

Background Papers:

None