

Report to: **Executive**

Date: **22nd April 2021**

Title: **Write Off Report for 2020/21**

Portfolio Area: **Support Services – Cllr Bastone**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: **N / A**

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RECOMMENDATIONS:

That the Executive:

- 1. notes that, in accordance with Financial Regulations, the s151 Officer has authorised the write-off of individual South Hams District Council debts totalling £187,751.43 as detailed in Tables 1 and 2; and**
- 2. approves the write off of an individual debts in excess of £5,000 totalling £241,406.95, as detailed in Table 3.**

1. Executive summary

The Council is responsible for the collection of: Housing Rents, Sundry Debts including Housing Benefit Overpayments, Council Tax and National Non-Domestic Rates.

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.

This report covers the period 1st April 2020 to 31st March 2021.

2. Background

The Council's sound financial management arrangements underpin delivery of all the Councils priorities, including the commitment to providing value for money services.

This report forms part of the formal debt write-off procedures included in these financial arrangements.

South Hams District Council's collection rates for 2019/20 were; Council Tax 98.30% & Business Rates 98.67%. The national averages were 96.8% for Council Tax and 98% for Business Rates for 2019/20.

As at the end of February 2021, the Council has collected 95.34% of Council Tax for 2020/21 (this compares to 95.95% as at February 2020).

As at the end of February 2021, the Council has collected 88.43% of Business Rates for 2020/21 (this compares to 95.48% as at February 2020).

Debts are recovered in accordance with the Council's Recovery Policy which is published on our website.

3. Outcomes/outputs

In accordance with good financial management principles the Council has, for the revenue streams detailed in this report, made a total bad debt provision of £4,832,521.37. 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.

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 in order to secure payment.

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.

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.

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.

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

Executive can either approve to 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

The Executive approves the write off of individual debts in excess of £5,000 as detailed in Table 3.

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 Rate) Section 14 Local Government Finance Act 1992 (Council Tax)</p>
Financial implications to include reference to value for money		<p>The total debts to be written off total £429,158.38 for the year 2020/21 as shown above. This is £187,751.43 of debts less than £5,000 (written off by the S151 Officer in accordance with Financial Regulations) and £241,406.95 of debts over £5,000, which this report recommends to the Executive to write off, as detailed in Table 3.</p> <p>Nearly half of the value of debts to be written off for the year (£429,158.38) are for Business Rates where there has been insolvency or bankruptcy.</p>

		<p>South Hams District Council's collection rates for 2019/20 were; Council Tax 98.30% & Business Rates 98.67%. The national averages were 96.8% for Council Tax and 98% for Business Rates for 2019/20.</p> <p>As at the end of February 2021, the Council has collected 95.34% of Council Tax for 2020/21 (this compares to 95.95% as at February 2020).</p> <p>As at the end of February 2021, the Council has collected 88.43% of Business Rates for 2020/21 (this compares to 95.48% as at February 2020).</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 2019/20 Collection Rates

Table 5 – Quarterly income in 2019/20 relating to all years

Table 6 – Previous Year Write Off Totals

Table 7 – Bad debt provision breakdown

Background Papers:

None

TABLE 1 SUMMARY OF SOUTH HAMS DISTRICT COUNCIL DEBT UNDER £5,000 WRITTEN OFF BY S151 OFFICER

TYPE OF DEBT	REASON FOR W/OFF	Financial Year 2020/21		Totals for Comparison purposes	
		Financial Year Total 2020/21		Financial Year Total 2019/20	
		Cases	Amount	Cases	Amount
HOUSING BENEFIT	Overpaid Entitlement	41	10,461.25	85	52,156.17
	Insolvency / Bankruptcy	11	10,334.69	19	30,695.30
	Absconded	-	-	-	-
	Deceased	7	5,099.18	6	1,455.65
	Not cost effective to pursue	18	183.19	21	366.01
	Uncollectable old debt	26	9,444.46	43	15,509.05
	Total	103	35,522.77	174	100,182.18
COUNCIL TAX	Absconded	44	20,967.29	1	187.70
	Insolvency / Bankruptcy	82	82,141.83	65	81,948.93
	Deceased	12	5,370.66	5	1,253.53
	Small balance	113	101.78	185	12,962.35
	Other (inc. CTR overpayment)	8	4,072.42	15	5,318.23
	Uncollectable old debt	13	3,552.30	67	9,383.37
Total	272	116,206.28	338	111,054.11	
SUNDRY DEBTS	Absconded	4	1,013.32	58	15,188.60
	Insolvency / Bankruptcy	5	1,857.70	6	2,030.01
	Not able to recover	16	4,851.53	17	4,197.54
	Other	7	2,423.67	2	219.72
	Not economical to collect	255	14,818.47	63	597.43
	Deceased	-	-	1	63.00
Total	287	24,964.69	147	22,296.30	
Grand Total		662	176,693.74	659	233,532.59

TABLE 2 SUMMARY OF NON DOMESTIC RATE DEBT UNDER £5,000 WRITTEN OFF BY S151 OFFICER

TYPE OF DEBT	REASON FOR W/OFF	Financial Year 2020/21		Totals for Comparison purposes	
		Financial Year Total 2020/21		Financial Year Total 2019/20	
		Cases	Amount	Cases	Amount
NON-DOMESTIC RATE	Absconded	-	-	-	-
	Insolvency / Bankruptcy	5	10,777.71	17	31,046.11
	Other (inc. small balances)	4	0.94	8	21.66
	Uncollectable old Debt	1	143.81	-	-
	Deceased	1	135.23	-	-
Total		11	11,057.69	25	31,067.77

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

TYPE OF DEBT	REASON FOR W/OFF	Financial Year 2020/21		Totals for Comparison purposes	
		Financial Year Total 2020/21		Financial Year Total 2019/20	
		Cases	Amount	Cases	Amount
NON-DOMESTIC RATE	Insolvency / Bankruptcy	4	209,556.44	10	244,190.88
	Absconded	-	-	-	-
	Uncollectable old Debt	-	-	-	-
	Other	-	-	-	-
Total		4	209,556.44	10	244,190.88
HOUSING BENEFIT	Deceased	-	-	-	-
	Overpaid Entitlement	-	-	-	-
	Uncollectable	-	-	1	7,615.46
	Insolvency / Bankruptcy	-	-	-	-
Total		-	-	1	7,615.46
COUNCIL TAX	Absconded	-	-	-	-
	Insolvency / Bankruptcy	1	6,657.17	2	14,327.98
	Other (inc. CTR overpayment)	-	-	-	-
Total		1	6,657.17	2	14,327.98
SUNDRY DEBTORS	Insolvency / Bankruptcy	2	17,323.60	1	9,814.41
	Uncollectable old debt	-	-	-	-
	Absconded	1	7,869.74	-	-
	Deceased	-	-	-	-
Total		3	25,193.34	1	9,814.41
Grand Total		8	241,406.95	14	275,948.73

TABLE 4 NATIONAL & LOCAL COLLECTION STATISTICS RE 2019-20 COLLECTION RATES

Total amount collected in 2019-20 relating to 2019-20 financial year only (net of refunds relating to 2019-20)

	Council Tax			Non Domestic Rates		
	Collectable Debit i.r.o. 19/20 - £000s	Net Cash Collected* i.r.o. 19/20 - £000s	Amount Collected i.r.o. 19/20 - %age	Collectable Debit i.r.o. 19/20 - £000s	Net Cash Collected* i.r.o. 19/20 - £000s	Amount Collected i.r.o. 19/20 - %age
All England	32,076,334	31,061,572	96.8	26,416,752	25,899,784	98.0
Shire Districts	14,302,607	13,980,219	97.7	8,089,452	7,949,515	98.4
East Devon	114,469	112,968	98.7	36,001	35,249	97.9
Exeter	69,850	67,717	97.0	83,088	81,513	98.1
Mid Devon	56,699	55,465	97.8	15,755	15,569	98.8
North Devon	66,868	64,737	96.8	32,618	31,662	97.1
Plymouth	134,945	130,140	96.4	91,563	90,618	99.0
South Hams	74,533	73,269	98.3	30,430	30,025	98.7
Teignbridge	95,367	93,781	98.3	30,573	30,300	99.1
Torbay	86,107	82,361	95.7	34,356	32,672	95.1
Torridge	46,441	45,417	97.8	11,814	11,626	98.4
West Devon	41,235	40,290	97.7	10,690	10,436	97.6

* Net Cash Collected is total 2019-20 receipts net of refunds paid, in respect of 2019-20 only

TABLE 5 QUARTERLY INCOME IN 2019-20 RELATING TO ALL YEARS

Total amount collected in 2019-20 relating to any financial year (net of all refunds in 2019-20)

	Council Tax Net Cash Collected* £000s	Non Domestic Rates Net Cash Collected* £000s
Quarter 1 - Receipts collected between 1 st April – 30 th June	21,986	9,274
Quarter 2 - Receipts collected between 1 st July – 31 st September	20,203	7,634
Quarter 3 - Receipts collected between 1 st October – 31 st December	21,140	7,695
Quarter 4 - Receipts collected between 1 st January – 31 st March	10,447	4,705

* Net Cash Collected is total receipts in 2019-20 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
HOUSING BENEFIT	Under £5,000 cases	35,522.77	100,182.18	71,150.67	151,891.76	68,357.34
HOUSING BENEFIT	£5,000 or over cases	-	7,615.46	30,773.79	63,513.87	5,394.07
Total		35,522.77	107,797.64	101,924.46	215,405.63	73,751.41
COUNCIL TAX	Under £5,000 cases	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		122,863.45	125,382.09	112,037.50	95,979.12	93,486.69
SUNDRY DEBTS	Under £5,000 cases	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		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	11,057.69	31,067.77	13,655.99	20,832.66	32,812.78
NON DOMESTIC RATES	£5,000 or over cases	209,556.44	244,190.88	82,356.99	20,030.54	47,128.00
Total		220,614.13	275,258.65	96,012.98	40,863.20	79,940.78
GRAND TOTAL		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

The total debts to be written off total £429,158.38 for the year 2020/21 as shown above. This is £187,751.43 of debts less than £5,000 (written off by the S151 Officer in accordance with Financial Regulations) and £241,406.95 of debts over £5,000, which this report recommends to the Executive to write off, as detailed in Table 3. Nearly half of the value of debts to be written off for the year (£429,158.38) are for Business Rates where there has been insolvency or bankruptcy.

TABLE 7 BAD DEBT PROVISION RELATING TO ALL YEARS

Total amount of bad debt provision for debts outstanding as at 31st March 2020

	South Hams element (£)	Gross Collection Fund amount* (£)
Council Tax	372,688.02	3,072,546.68
Business Rates	470,138.75	1,175,346.88
General Fund	236,725.10	236,725.10
Housing Benefit	341,000.00	341,000.00
Standard Charges	6,902.71	6,902.71
Total	1,427,454.58	4,832,521.37

* Gross Collection Fund amount includes elements of Council Tax and Business Rates bad debts that relate to Central Government or other precepting bodies share of the provision.