

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Portfolio Holder Finance and the Executive Director of Commercialisation

**To:** Cabinet – 25<sup>th</sup> July 2017

**Author:** Sharon Hammond – Head of Service, Revenues and Benefits

**Subject:** Debt Management and Write Off Operational Policies

**Purpose:** To approve the approach to debt management and write off.

### **Recommendations:**

That Cabinet

- 1) Agree the Debt Management and Debt Write Off Operational Policies.
- 2) Approve delegation for the authorisation to write off debt below £5,000 for an individual debtor to CPBS Head of Service, Revenues and Benefits.

### **1.0 BACKGROUND**

- 1.1 Efficient and well administered debt management is crucial to the Council. A review has been undertaken to ensure policies and procedures are in place that enable effective management of debt, and in particular the processes for identification and recovery of debt owed to the council.
- 1.2 This review has been instigated at the request of Cabinet, for more information on the debt recovery process, and for assurance regarding the process and reasons for occasions where debt is considered irrecoverable and recommended for write off.
- 1.3 The Debt Management Policy and Debt Write Off Operational Policy have been considered by the Policy Development Panel (PDP) on 9<sup>th</sup> May. PDP have recommended the policies to Cabinet for approval.
- 1.4 It has also been recognised that delegation for write off has not been reviewed for several years, and with regard to these policies, and in response to a recent audit recommendation, this report seeks Cabinet approval for the authorisation of delegation limits.

### **2.0 COLLECTION AND RECOVERY IN CONTEXT**

- 2.1 To provide context, in 2016/17 Compass Point Business Services (CPBS) Revenues Service were responsible for billing, collection, recovery and enforcement of: -
  - **40,070** Council Tax dwellings,
  - **2,711** Business Rates properties,
  - **2,972** sundry debtor invoices, and
  - **2,682** Housing Benefit Overpayments.
- 2.2 In addition to the financial year in question, the service is also responsible for the ongoing collection, recovery and enforcement of previous years arrears.

2.2 Tables 1 and 2 below provide a high level analysis of the amounts relating to the 2016/17 financial year.

**Table 1 – Housing Benefit Overpayments and Sundry Debt**

	<b>Outstanding debt at 31 March 2016</b>	<b>Value of invoices raised in 2016/17</b>	<b>Total reduced in 2016/17 (against all Invoices, excluding write off)</b>	<b>Written Off in respect of debt raised in year 2016/17</b>	<b>Written off in 2016/17 in relation to previous year arrears</b>
HB Overpayment	£1,392,153	£929,473	£883,868 (95.01%)	£526 <b>(*0.06%)</b>	£38,085 <b>(*4.10%)</b>
Sundry Debt	£432,819	£2,119,583	£2,036,118 <b>(96.07%)</b>	£728 <b>(*0.03%)</b>	£17,132 <b>(*0.81%)</b>

The level of write off in respect of Housing Benefit Overpayment as a % is higher than other debt streams, reflecting the nature and circumstances of these debtors. The level and recovery of Housing Benefit overpayments has been recognised as a national issue, and recently resource has been increased in this area. In many cases debts are being recovered from ongoing Housing Benefit at a prescribed level, for illustration £11.10 being a standard deduction per week, however this might be lower taking account of the circumstances of the debtor.

**Table 2 – Council Tax and Business Rates**

	<b>Outstanding debt at 31 March 2016</b>	<b>Collectible in year 2016/17</b>	<b>Collected in 2016/17</b>	<b>Written Off in respect of debt raised in year 2016/17</b>	<b>Written off in 2016/17 in relation to previous year arrears</b>
Council Tax	£1,856,584	£41,099,923	£40,353,989 <b>(98.19%)</b>	<b>Nil</b>	£107,920 <b>(*0.26%)</b>
Business Rates	£800,359	£27,188,532	£26,831,278 <b>(98.69%)</b>	<b>Nil</b>	£206,697 <b>(*0.76%)</b>

\*The percentages are illustrative based on calculation using 2016/17 collectible debt.

2.3 The vast majority of revenue is collected through billing and pre-recovery processes, which includes engaging with customers through intervention and payment arrangements, as well as planned reminder, final notice and pre-summons activity.

2.4 During 2016/17

- Over £47m was collected by direct debit in respect of Council Tax and Business Rates.
- 110 Liability Orders were obtained in respect of Business Rates and 2,928 for Council Tax, leading to recovery and enforcement action.

### **3. DEBT MANAGEMENT POLICY**

3.1 The current South Holland Debt Management Policy was endorsed by PDP in July 2014. This Policy has now been reviewed and updated to reflect the most recent position, and is attached at Appendix A.

3.2 This Policy which covers Council Tax, Business Rates, Housing Benefit Overpayment and Sundry Debt, recognises South Holland's duty to ensure efficient and well administered debt management, and sets out the principles that apply for the recovery and enforcement of debt.

### **4. WRITE OFF OPERATIONAL POLICY**

4.1 There is a recognition that whilst the majorities of monies owed to the Council will be successfully collected and recovered, and in many cases recovery and enforcement procedures will continue to be appropriate towards successful collection. It is equally the case that for a variety of reasons there will be situations of irrecoverable debt and in such cases recommendation will be made for write off.

4.2 A Write Off Operational Policy has been developed to provide further information on the debt recovery process, and to provide assurance in relation to the reasons for situations where debt is considered irrecoverable and recommended for write off.

4.3 The procedure outlined in the Policy provides for a review mechanism, thereby providing additional assurance that when debts are recommended for write off that all options to recover and enforce the debt have been exhausted, or cannot be pursued.

4.4 The Write Off Operational Policy is provided at Appendix B. This is not for publication.

### **5 DELEGATED AUTHORITY FOR WRITE OFF**

5.1 A review of delegated authority for write off has not been carried out for several years and so has been undertaken alongside the debt management and write off review. This is also timely in response to a recent audit recommendation.

5.2 To be consistent with approaches elsewhere in terms of delegation, it is recommended that the CPBS Head of Service, Revenues and Benefits has delegated authority to write off up to £5,000 of aggregated debt for an individual, with aggregated debt of £5,000 or more referred to the Section 151 Officer. Audit have confirmed they are happy with this approach, recognising this is consistent with approaches elsewhere in terms of delegation.

5.3 A quarterly report will be provided to Cabinet to update on write offs within a reporting period.

## **6. NEXT STEPS**

6.1 The Debt Management Policy, and the Write Off Operational Policy together provide the basis and principles for recovery and enforcement, and the reasons and process for recommendation for future write off.

6.2 During the course of this review exercise, it has been identified that there are a number of associated areas would benefit from further work and exploration. These are: -

- Guidance for South Holland service departments in the raising of sundry debtor invoices.
- Introduction of 'case review' process, to include Housing rents.
- Share the Debt Management Policy and Write Off Operational Policy with the Housing team for consideration as to whether this or a similar document should be developed for recovery of rent arrears.
- Review and evaluation of Enforcement Agents, and consideration of alternative arrangements and opportunities.
- Reintroduction of committal processes as a last resort option.

It is proposed that the further work in respect of these operational areas is complete by the end of October 2017.

6.3 In addition, the PDP agreed that a) other agencies are lobbied to improve information sharing to help with the recovery of debt; and b) that consideration be given to requiring prospective tenants to agree to data sharing when they sign the tenancy agreement. These areas will be addressed as part of the further and continuing work around debt management.

## **7. OPTIONS**

7.1 Do nothing – without approval for the Write Off Operational Policy significant and disproportionate Officer and Member time will be consumed with less efficient processes.

7.2 Approval of the Write Off Operational Policy as an internal document, alongside the Debt Management Policy, will provide for more efficient and consistent processes and provide greater assurance for cases recommended for write off.

## **8.0 REASONS FOR RECOMMENDATION(S)**

8.1 Greater efficiency, consistency and assurance around debt management, and the identification of irrecoverable debt recommended for write off.

8.2 Officer time maximised on greatest returns, at the same time as ensuring robust procedures for debt management are in place across all revenues streams.

## **9.0 EXPECTED BENEFITS**

9.1 Greater efficiency, consistency and assurance relating to the management of debt, and in turn maximisation of revenue to the Council.

## **10. IMPLICATIONS**

### **10.1 Constitution & Legal**

10.1.1 Recovery processes are governed by statutory provisions, and operational delivery will be in accordance with provisions. This review includes the delegated authorisations for debt write off in terms of constitutional provision.

10.1.2 In respect of delegation of write off up to £5,000 to the CPBS Head of Service, Revenues and Benefits, while the Council cannot ordinarily delegate to non-Council officers regulations allow for this where contractors are engaged in certain activity (including debt recovery). The Service Level Agreement with Compass Point Business Services will be updated to reflect this delegation.

### **10.2 Financial**

10.2.1 This review focuses on recovery processes associated with the main revenue streams for the council, and will provide assurance regarding the management of debt, maximising income and minimising loss.

10.2.2 Clear processes for the writing off of irrecoverable debt represents sound financial management practice. Provision for bad debt is made in Council accounts.

### **10.3 Risk Management**

10.3.1 This review will provide assurance regard the controls and operational process to recover debt. At the same time it should be recognised that by the nature, volume and value of annual revenue to the council there will always be uncollectable amounts which will be recommended for write off once avenues to recover are exhausted.

## **11.0 WARDS/COMMUNITIES AFFECTED**

11.1 All

## **12.0 ACRONYMS**

PDP – Policy Development Panel

CPBS – Compass Point Business Services

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Background papers:- None

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### **Lead Contact Officer**

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**Key Decision:** No

**Exempt Decision:** Yes / No

**This report refers to a Mandatory Service**

**Appendices attached to this report:**

Appendix A                      Debt Management Policy

**Confidential Appendices attached to this report:**

**(Please note that the following appendix is not for publication by virtue of Paragraph 3  
(Information relating to the financial or business affairs of any particular person (including  
the authority holding that information))**

Appendix B                      Write Off Operational Policy