

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Portfolio Holder for Finance and Executive Director - Commercialisation (S151)

**To:** Cabinet Tuesday, 21 November 2017

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

**Subject** Debt Management - Write Offs

**Purpose:** To seek approval for the write off of uncollectable debt, and to review and agree the process for delegated approval of debt write off.

### **Recommendation(s):**

- 1) That the amounts identified in this report are approved for write off.
- 2) That Cabinet consider the options set out in 3.7 of this report with regards to authorisation limits for the write off of debt.

### **1.0 BACKGROUND**

1.1 Efficient and well administered debt management is crucial to the Council. Debt Management and Operational Debt Write-Off Policies were approved by Cabinet in July 2017. Members requested at that meeting clarification around current delegations which are set out in this report.

1.2 This report seeks:

- a) Cabinet approval for the write off of debts identified in the report, and
- b) Clarification and provides information for Members in response to the action from 25<sup>th</sup> July Cabinet meeting, to reconsider the current arrangements and how the write off approval process might be improved, drawing on examples of delegation in other authorities, and having regard to good accounting practice.

### **2.0 WRITE OFFS FOR CABINET APPROVAL**

2.1 This report presents irrecoverable debt which requires Cabinet approval for write off. A summary of these debts is shown in the table below, totalling £133,237.55 (of which indicative loss to South Holland £56,363).

2.2 The need to write off debt can arise for a number of reasons, including the debtor being untraceable, insolvent, ceased trading with no assets or deceased with insufficient funds in the estate. All methods of recovery are considered and pursued in line with legislative provision, before making the decision to write off. This can include internal recovery action, use of debt collection agents, external tracing agents and procedures through the Courts.

- 2.3 A summary of debts, by type, requiring approval for write off is given in Table 1, whilst Table 2 provides a view of this debt by the year to which it relates; this table also provides for context the total collectable debit for Council Tax and Business Rates for the years in question.
- 2.4 Almost 74% of the amount presented for write off is for Business Rates. Of the seventeen accounts in question, fifteen are due to insolvency. Proof of debt claims have been made, and whilst there is little prospect of any monies being received, any payment would be credited to the account, and the debt written back.

**Table 1 – Summary of Debt by category**

Value by Debtor £	Council Tax £	Business Rates £	Sundry Debt £	Housing Benefits Overpayments £	Total £
1,050 – 5,000	17,942.85	28,264.21	12,207.07	4,730.92	66,181.97
Over 5,000	-	70,092.50	-	-	70,092.50
<b>Total</b>	<b>17,942.85</b>	<b>98,356.71</b>	<b>12,207.07</b>	<b>4,730.92</b>	<b>133,237.55</b>
Indicative 'loss' to SHDC	11% £1,974	40% £39,343	100% £12,207	60% £2,839	£56,363

**Table 2 – Breakdown of Debt by year**

	Council Tax £	Business Rates £	Sundry Debtors £	Housing Benefit Overpayment £	Total by year £
<b>2010/11</b>	675.39	-	-	-	675.39
<b>2011/12</b>	2,295.4	1,750.72	-	-	4,046.12
<b>2012/13</b>	3,945.1	7,006.77	-	-	10,951.84
<b>2013/14</b>	4,419.7	23,799.82	-	-	2,8219.5
<b>2014/15</b>	4,071.9	23,958.07	-	-	28,029.97
<b>2015/16</b>	1,750.8	36,089.62	2,569.98	-	40,410.41
<b>2016/17</b>	784.6	5,751.71	9,637.09	4,730.92	20,904.32
<b>Total by category</b>	17,942.85	98,356.71	12,207.07	4,730.92	133,237.55
<b>Collectable Debit 2011 - 2017</b>	£225million	£151million			

- 2.4 Details of individual debts are shown in the Confidential Appendices listed below. Multiple debts for an individual are shown together. The reason provided for write is consistent with the policy. -

Appendix A – Council Tax  
 Appendix B – Business Rates  
 Appendix C – Sundry Debtors

## Appendix D – Housing Benefit Overpayments

A copy of the Operational Debt Write-Off Policy is provided for reference at Appendix E:

- 2.5 In line with the new policy, prior to this report being presented, consultation has taken place with the S151 Officer and the Portfolio Holder for Finance. Cabinet Members can therefore be assured that the debts listed are irrecoverable, and that write off is the correct course of action.
- 2.6 All debt approved for write off will be set against existing bad debt provisions and can be resurrected in full or in part at any time should new information come to light suggesting that they might be recoverable after all. In all cases collection options have been exhausted and there is no realistic prospect of recovery.

### 3 CURRENT DELEGATION AND PROPOSALS

- 3.1 The Councils Constitution provides full delegated authority to the Section 151 Officer for the authorisation of debt write off. It is however presently custom and practice for the debts as set out in this report with a value above £1,050, to be brought to Cabinet for approval.
- 3.2 A review is timely as the current process is no longer representative of the amounts of revenue that the council deals with. It is important that officer resource is able to focus effort on debt that is recoverable, and, whilst ensuring that all possible avenues of recovery are exhausted in all cases, to have a mechanism to move irrecoverable debt through an efficient authorisation process. The Operational Write-Off Policy approved in July sought to provide assurance to Members around the process of debt management and the identification and procedure for writing off irrecoverable debt. If all debts require Cabinet approval, this would increase inefficiency and delay, diverting resources away from greater effort and productivity in pursuing debt that is recoverable.
- 3.3 The most recent internal audit report key control testing for Revenues identifies the need for clear processes that ensure write offs are accurately reflected within accounts.
- 3.4 A benchmarking exercise has been undertaken across fifteen authorities, revealing, as might be expected, that processes and delegated limits do vary, however 12 of the 15 have tiered delegated limits to Officers. The most common delegation limit to officers being for debt up to £5,000. The average delegation being £4,733, and the highest delegation (in three authorities) being up to £10,000.
- 3.5 Of the 15 authorities considered in this exercise, the average referral to Committee is for irrecoverable debt of £17.5k. The processes that sit between Officer delegation and Committee varies between authorities, but broadly includes full delegation to Section 151 Officers, or a combination of Officer / Member decision, with higher value debt referred to Committee. Four of the local authorities have a process whereby the delegation sits wholly with the Section 151 Officer, or jointly with a lead Member.
- 3.6 CIPFA provide guidance on the collection of income, and whilst there is no reference to best practice for the writing off of debt it recognises that it is for each individual authority to make arrangements and set its own limits to ensure that debt is appropriately authorised.

- 3.7 Cabinet is requested to consider a variety of options and determine the delegation authorisation limits it wishes to adopt. Options are set out below, and relate to the debt for which Compass Point Business Services are responsible for delivering on behalf of the council, i.e. Council Tax, Business Rates, Sundry Debtors and Housing Benefit Overpayments: -

**Option 1**

Debt up to £2,000 – Head of Service, Revenues and Benefits  
Above £2,000 – Head of Service, Revenues and Benefits and Section 151 Officer  
Post write-off update as part of the regular budget reports to cabinet.

**Option 2**

Debt up to £5,000 – Head of Service, Revenues and Benefits  
Above £5,000 – Head of Service, Revenues and Benefits and Section 151 Officer  
Post write-off update as part of the regular budget reports to cabinet.

**Option 3, existing arrangements**

Debt up to £1,050 – Section 151 Officer  
Above £1,050 - Cabinet

**Option 4**

Another variation based on the above which could include s151 and Portfolio holder for Finance with the inclusion of update information as part of the regular budget reports to cabinet.

**4 REASONS FOR RECOMMENDATION(S)**

- 4.1 All recovery methods have been considered and where appropriate pursued, before making the decision to write off.
- 4.2 Officer time can be maximised on greatest returns, at the same time as ensuring robust procedures for debt management are in place across all revenues streams.

**5 EXPECTED BENEFITS**

- 5.1 The Council has a clear position in terms of uncollectable debt, and its bad debt provision.

**6 IMPLICATIONS**

**6.1 Constitutional & Legal**

- 6.2.1 Recovery processes are governed by statutory provisions, and operational delivery will be in accordance with provisions.
- 6.2.2 The Councils Constitution provides full delegated authority to the Section 151 Officer for the authorisation of debt write off. Whilst this is not currently exercised, if Constitutional changes are required this will require a decision to be taken at Full Council.

6.2.3 In respect of the delegation of write off 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 would be updated to reflect this delegation.

## 6.2 Financial

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

## 6.3 Risk Management

6.3.1 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. Provision for bad debt is made.

## 7 WARDS/COMMUNITIES AFFECTED

7.1 All

## 8 ACRONYMS

CPBS – Compass Point Business Services

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Background papers:- Debt Management Policy

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### Lead Contact Officer

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**Key Decision:** N

**Exempt Decision:** Y

**This report refers to a Mandatory Service**

**Confidential Appendices attached to this report:**

**(Please note that the following appendices are not for publication by virtue of Paragraphs 1 (Information relating to any individual), 2 (Information which is likely to reveal the identity of any individual) and 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information))**

Appendix A Council Tax Debts

Appendix B Business Rates Debts

Appendix C

Sundry Debts

Appendix D

Housing Benefit Overpayment Debts

Appendix E

Operational Debt Write Off Policy