

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Portfolio Holder for Finance, Strategies, Partnerships and Executive Director  
(Strategy and Resources) (S151)

**To:** Cabinet Tuesday, 7 September 2021

**(Author:** Sharon Hammond Head of Revenues & Benefits)

**Subject** Debt Write Off

**Purpose:** To seek approval for the write-off of uncollectable debt.

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

- 1) That updates on the Covid impact and Breathing Space are noted.
- 2) That the amounts identified in this report are approved for write off.

### **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. Further information about the statutory requirements and processes relating to recovery and enforcement of debt was provided at a presentation to Cabinet Members in February 2018.
- 1.2 This is the first report to Cabinet for this financial year and includes debts identified as uncollectable.

### **2.0 COVID-19 IMPACT ON COLLECTION, RECOVERY AND ENFORCEMENT**

- 2.1 The coronavirus pandemic has had an impact on the recovery and enforcement of revenue. With households affected by changes in their circumstances, there has been a significant increase in Universal Credit claims and a corresponding increase in the take up of Local Council Tax Support. It is anticipated there could be further impacts on households and businesses when the furlough scheme ends in September 2021, with the number out of work expected to rise.
- 2.2 Statutory debt recovery processes were severely disrupted in the first half of 2020/21, during which time a softer approach to recovery was taken. Formal processes recommenced at the end of August 2020 with first Courts in November 2020. There was then further disruption to the recovery schedule in the final months of 2020/21 when Magistrates Courts closed again for Liability Order hearings. Enforcement Agents were able to recommence visits from August 2020 after the lifting of restrictions. They continue to work safely and responsibly in line with Civil Enforcement Association (CIVEA) guidelines.

- 2.3 2020/21 in-year collection rate for Council Tax was 96.91% (being £49,935,415 collected of the collectable debit of £51,529,585). Whilst this was a reduction of 0.72% compared to the previous year, this rate of collection is in line with the 96.9% national average for shire districts in 2020/21.
- 2.4 For Business Rates, the in-year collection rate for 2020/21 was 92.46% (being £18,160,210 collected of the £19,641,642 collectible debit). The collection position for Business Rates in 2020/21 does not lend itself to a direct comparison against 2019/20 due to the additional Covid relief measures introduced by the government which provided many with a business rates 'holiday'. South Holland's collection rate for 2020/21 was further impacted by a large ratepayer going into Company Voluntary Arrangement (CVA).
- 2.5 There will be a catch up of recovery processes in this financial year for 2020/21 arrears, as well as usual processes for the current year, however the impact on collection and recovery due to Covid-19 will be carried into future financial years.

### **3 DEBT RESPITE SCHEME – 'BREATHING SPACE'**

- 3.1 The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 came into effect on 4<sup>th</sup> May 2021.
- 3.2 These regulations offer two types of breathing space: -
- i) 'Standard', which lasts for 60 days, providing time for the debtor to get debt advice and set up a debt solution, and
  - ii) 'Mental Health Crisis', which has stronger protections and lasts for as long as the person's mental health crisis treatment plus 30 days.
- 3.3 Access to breathing space is through a qualified debt advisor, and for mental health crisis an Approved Mental Health Professional (AMHP) will first need to certify that the person is receiving treatment.
- 3.4 There are currently 12 debtors in the 60 day 'standard' breathing space period, with debt totalling £25,696. Since its introduction in May 2021, South Holland has seen 16 debtors in total enter 'standard' breathing space with debt totalling £36,653. Once the 60-day period has expired debts are no longer subject to the provisions of the legislation, and debtors should have been able to find solutions, or the way forward to deal with their debt through professional support provided during this period.
- 3.5 A breakdown of the amount by debt type is shown in the table below for the 16 debtors who have so far entered breathing space: -

Council Tax	Housing Rent	Housing Benefit Overpayment	Total
£34,136.21	£70.89	£2,446.20	£36,653.30

### **4.0 WRITE OFFS FOR CABINET APPROVAL**

- 4.1** The need to write off debt can arise for a number of reasons, including debtors 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 enforcement agents, external tracing agents and procedures through the Courts.
- 4.2** Case management has concluded that recovery and enforcement options in respect of the debts presented in this report have been considered, and exhausted, and there is no prospect of recovery. Cabinet approval for write off is now requested.
- 4.3** A summary of these debts is shown in the table below, totalling £17,792.77 (of which the indicative loss to South Holland District Council is £10,861).

<b>Reason for Write Off</b>	<b>Council Tax</b>	<b>Business Rates</b>	<b>Housing Benefit Overpayment</b>	<b>Total</b>
Absconder	£1,167.17	-	-	£1,167.17
Insolvency	£4,332.77	£3,322.30	£4,570.13	£12,225.20
Deceased	-	-	£4,400.40	£4,400.40
<b>Total</b>	<b>£5,499.94</b>	<b>£3,322.30</b>	<b>£8,970.53</b>	<b>£17,792.77</b>
Indicative loss to SHDC	£560.99	£1,328.92	£8,970.53	10,860.44

- 4.4** Details of individual debts are shown in confidential Appendices A - C. The reason provided for write-off is consistent with the policy approved by Cabinet. Where applicable, multiple debts for a debtor are shown together.
- 4.5** The Operational Debt Write-Off Policy was approved by Cabinet in July 2017.
- 4.6** In line with the policy, prior to this report being presented, consultation has taken place with the Section 151 Officer and the Portfolio Holder for Finance, Strategies, Partnerships. Cabinet Members can therefore be assured that the debts listed are irrecoverable, and that write off is the correct course of action.
- 4.7** 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.

#### **4.8 Delegated Write Offs**

- 4.8.1** The S151 Officer has approved the following debts for write off, which individually are below the £1,050 threshold, in 2021/22:

<b>Reason for Written Off</b>	<b>HRA Housing Rents Arrears</b>		<b>General Fund Housing Rents Arrears</b>		<b>Total</b>	
	<b>Amount</b>	<b>No.</b>	<b>Amount</b>	<b>No.</b>	<b>Amount</b>	<b>No.</b>

Deceased			£271.22	6	£271.22	6
Uncollectable	£1,072.28	22	£1,316.99	29	£2,389.27	51
Uneconomical	£20.85	6	£5.03	2	£25.88	8
Unenforceable	£675.19	6	£1,653.27	9	£2,328.46	15
<b>Total Amount</b>	<b>£1,768.32</b>	<b>34</b>	<b>£3,246.51</b>	<b>46</b>	<b>£5,014.83</b>	<b>80</b>
Indicative loss to SHDC	£1,768.32		£3,246.51		£5,014.83	

## 5.0 REASONS FOR RECOMMENDATION(S)

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

## 6.0 EXPECTED BENEFITS

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

## 7.0 IMPLICATIONS

### 7.1 Financial

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

### 7.2 Risk Management

7.2.1 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 and reviewed regularly.

## 8.0 WARDS/COMMUNITIES AFFECTED

8.1 All

## 9.0 ACRONYMS

9.1 CIVEA – Civil Enforcement Association

9.2 CVA – Company Voluntary Arrangement

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Background papers:-

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**Lead Contact Officer**

Name and Post: Sharon Hammond Head of Revenues & Benefits  
Telephone Number  
Email: Sharon.Hammond@pspsl.co.uk

**Key Decision:** N

**Exempt Decision:** Y

**This report refers to a Mandatory Service**

**Confidential Appendices A-C, attached to this report:**

**(Please note that the following appendix is 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))**

**Appendices attached to this report:**

Appendix A	Council Tax Debts
Appendix B	Business Rates Debts
Appendix C	Housing Benefit Overpayment Debts