



<b>REPORT TO:</b>	Cabinet
<b>DATE:</b>	Tuesday, 12 September 2023
<b>SUBJECT:</b>	Debt Write Off
<b>PURPOSE:</b>	To seek approval for the write off of uncollectable debt
<b>KEY DECISION:</b>	N
<b>PORTFOLIO HOLDER:</b>	Portfolio Holder for Finance, Commercialisation, UKSPF and Levelling Up
<b>REPORT OF:</b>	Christine Marshall, Deputy Chief Executive – Corporate Development (S151)
<b>REPORT AUTHOR:</b>	Sharon Hammond
<b>WARD(S) AFFECTED:</b>	(All Wards);
<b>EXEMPT REPORT?</b>	Y  The Appendices to this report are exempt 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))

#### **SUMMARY**

This report provides an update on the collection, recovery and enforcement of debt, and seeks approval for the write off of amounts identified as uncollectable.

#### **RECOMMENDATIONS**

That the amounts identified in this report are approved for write off.

#### **REASONS FOR RECOMMENDATIONS**

All recovery methods have been considered and where appropriate pursued, before making the decision to write off. Debts will be written off against provisions in the Councils accounts.

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.

## **OTHER OPTIONS CONSIDERED**

Do not approve the amounts for write off, however this would leave uncollectable debt showing on the council records.

## **1. BACKGROUND**

- 1.1. Efficient and well administered debt management is crucial to the Council. The Debt Management Policy was re-approved by Cabinet in July 2022, and the approach to write offs is in line with the Debt Write Off Operational Policy, previously approved by Cabinet.
- 1.2. This is the first report to Cabinet in this financial year and includes debts identified at this time as uncollectable.

## **2. COLLECTION, RECOVERY AND ENFORCEMENT UPDATE**

- 2.1 The impact of covid continues to be felt in the collection, recovery and enforcement of debt, and the challenges are exacerbated in 2023/24 with the cost of living and energy cost crises.
- 2.2 In-year Council Tax and Business Rates collection rates have not returned to pre-covid levels, despite the statutory recovery programme in place. SHDC performance in this respect is consistent with the findings reported in a recent analysis of 2022/23 national collection data, which recognises that council tax collection rates remain well below rates in 2019/20, and business rates is at its lowest level, (other than 2020/21 and 2021/22 when business were supported through covid) across available records, and 2% below the peak rate achieved in 2007/08.
- 2.3 It should be recognised however that in-year collection rates are a point in time measure and not an indication of the final collection for any financial year. Recovery and enforcement of previous years arrears continues after the end of the financial year.
- 2.4 The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 came into effect in May 2021. These regulations offer breathing space up to 60 days for debtors to get advice and set up debt solutions. These regulations make further provisions for people in mental health crisis, where protection can last longer. Access is by a qualified debt advisor, and by an Approved Mental Health Professional in the situation of mental health crisis.

Following the introduction of the regulations in May 2021, there have now been 110 debtors enter into this process, totalling £229,452. Of these, 10 are currently in breathing space.

- 2.5 The latest published government data on individual insolvency statistics for England and Wales shows the number of breathing space registrations in the period April – June 2023 was 26% higher than in the same period in 2022.

At a local level we have seen an increase in the number of Debt Relief Orders granted following breathing space, which has had an impact on Council Tax and Housing Benefit Overpayments.

The government data also indicates that in the period April – June 2023,

- Debt Relief Orders (DRO) increased by 1% from the previous quarter, and were 23% higher when compared to the same period in 2022, and
- Bankruptcies increased from 2022, (however noted the 40-year low in 2022)
- The number of Individual Voluntary Arrangements (IVA) registered decreased by 12%, however the Insolvency Service urge caution when interpreting these numbers as there can be a time lag between when the IVA is accepted to the date of registration.

Locally, a number of IVA's have been successfully complied with, which has resulted in number of debts being written off as the council is formally bound by the terms of IVA.

### 3 WRITE OFFS FOR CABINET APPROVAL

- 3.1 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.
- 3.2 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.
- 3.3 A summary of these debts is shown in the table below, totalling £1,349,133.35 (of which the indicative loss to South Holland District Council is £578,142.30).

<u>Reason</u>	<u>Council Tax</u>	<u>Business Rates</u>	<u>Housing Benefit Overpayment</u>	<u>Sundry Debt</u>	<u>Total</u>
Absconder	£11,056.70				£11,056.70
Deceased	£4,044.94				£4,044.94
Insolvency	£35,838.01	£1,167,971.57	£25,303.89	£17,739.60	£1,246,853.07
Uncollectable	£3,945.13		£7,407.16		£11,352.29
Unenforceable	£8,585.99			£67,240.36	£75,826.35
<b>Total</b>	<b>£63,470.77</b>	<b>£1,167,971.57</b>	<b>£32,711.05</b>	<b>£84,979.96</b>	<b>£1,349,133.35</b>
	10%	40%	60%	100%	-

<b>Indicative loss to SHDC</b>	<b>£6,347.08</b>	<b>£467,188.63</b>	<b>£19,626.63</b>	<b>£84,979.96</b>	<b><u>£578,142.30</u></b>
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3.4 It should be noted that two particularly large debts make up 92% of the total value included in this report for write off.

The largest of these debts relates to business rates, where administrators were appointed in August 2020, and subsequently a Company Voluntary Arrangement (CVA) was approved. The outstanding business rates were included as a provable debt in the CVA, leaving no legal route for the council to enforce the debt. Cabinet has previously been briefed on the full details surrounding this case, and the council has made provision for bad debt. A dividend of £3,461.80 has been received, leaving the remaining balance for write off.

With regard the second of these largest debts, following the conclusion of a contract, a dilapidations assessment was undertaken. The assessment highlighted areas that were not deemed to be of satisfactory condition from the perspective of the landlord. Following complex discussions, a contribution to the perceived outstanding works was agreed. Provision for bad debt has been made.

3.5 Details of individual debts are shown in confidential Appendices A to D. The reason provided for write-off is consistent with the policy approved by Cabinet. Where applicable, multiple debts for a debtor are shown together.

3.6 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, Commercialisation, UKSPF and Levelling Up. Cabinet Members can therefore be assured that the debts listed are irrecoverable, and that write off is the correct course of action.

3.7 In all cases collection options have been exhausted and there is no realistic prospect of recovery. 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.

### 3.8 Delegated Write Offs

In line with delegated authority, the S151 Officer has approved the following debts for write off, which individually are below the £1,050 threshold.

Reason for Written off	Council Tax		Business Rates		HBOP		Credit Control		Total	
	Amount £	No.	Amount £	No.	Amount £	No.	Amount £	No.	Amount £	No.
Absconder	£36,431.48	100	£0.00	0	£52.54	2	£0.00	0	£36,484.02	102
Deceased	£276.16	4	£0.00	0	£3,547.04	21	£0.00	0	£3,823.20	25
Insolvency	£18,985.36	45	£2,432.03	5	£2,042.50	9	£0.00	0	£23,459.89	59
Uneconomical to collect	£2,674.09	35	£68.33	6	£54.92	15	£331.76	55	£3,129.10	111

Unenforceable	£6,378.36	18	£1,600.00	2	£3,015.68	8	£1,522.80	2	£12,516.84	30
Uncollectable	£2,757.31	12	£639.51	1	£0.00	0	£0.00	0	£3,396.82	13
<b>Total Amount</b>	<b>£67,502.76</b>	<b>214</b>	<b>£4,739.87</b>	<b>14</b>	<b>£8,712.68</b>	<b>55</b>	<b>£1854.56</b>	<b>57</b>	<b>£82,809.87</b>	<b>340</b>
<b>Indicative loss to SHDC</b>	10%		40%		60%		100%			
	£6,750.28		£1,895.95		£5,227.61		£1,854.56		£15,728.39	

#### 4. CONCLUSION

- 4.1 That options to enforce the debts identified and presented in this report have been exhausted and write off is now the appropriate course of action. Once a debt is no longer collectable it should be written off in the Council's accounts and the debt provision adjusted accordingly.

#### 5. EXPECTED BENEFITS TO THE PARTNERSHIP

- 5.1 Not applicable.

#### 6. IMPLICATIONS

##### 6.1 SOUTH AND EAST LINCOLNSHIRE COUNCILS PARTNERSHIP

- 6.1.1 None

##### 6.2 CORPORATE PRIORITIES

- 6.2.1 None

##### 6.3 STAFFING

- 6.3.1 None

##### 6.4 CONSTITUTIONAL AND LEGAL IMPLICATIONS

- 6.4.1 None

##### 6.5 DATA PROTECTION

- 6.5.1 None

##### 6.6 FINANCIAL

- 6.6.1 Clear processes for writing off irrecoverable debt represents sound financial management practice.

These debts will be offset against the bad debt provision. There is no budgetary impact.

##### 6.7 RISK MANAGEMENT

- 6.7.1 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.

##### 6.8 STAKEHOLDER / CONSULTATION / TIMESCALES

- 6.8.1 None

## **6.9 REPUTATION**

6.9.1 None

## **6.10 CONTRACTS**

6.10.1 None

## **6.11 CRIME AND DISORDER**

6.11.1 None

## **6.12 EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING**

6.12.1 This report does not in itself give rise to any equality, diversity, or human right implications. SHDC's Debt Management Policy ensures transparency and equality in its approach to debt management and recognises the responsibility for ensuring the protection of vulnerable and the socially excluded.

## **6.13 HEALTH AND WELL BEING**

6.13.1 None

## **6.14 CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

6.14.1 None

## **6.15 LINKS TO 12 MISSIONS IN THE LEVELLING UP WHITE PAPER**

None

## **7. ACRONYMS**

7.1 None

<b>APPENDICES</b>	
Appendices are listed below and attached to the back of the report: -	
APPENDIX A	Council Tax Debts
APPENDIX B	Business Rates Debts
APPENDIX C	Housing Benefit Overpayment Debts
APPENDIX D	Sundry Debts

<b>BACKGROUND PAPERS</b>
No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

<b>CHRONOLOGICAL HISTORY OF THIS REPORT</b>
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A report on this item has not been previously considered by a Council body
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<b>REPORT APPROVAL</b>
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Signed off by:	Christine Marshall, Deputy Chief Executive – Corporate Development (S151) <a href="mailto:Christine.Marshall@sholland.gov.uk">Christine.Marshall@sholland.gov.uk</a>
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Approved for publication:	Portfolio Holder for Finance, Commercialisation, UKSPF and Levelling Up
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