



**OPEN REPORT
GOVERNANCE AND RESOURCES COMMITTEE**

Governance and Resources Committee – 8 March 2023

ARREARS FOR WRITE OFF 2022/23

Report of the Director of Resources

Report Author and Contact Details

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Wards Affected

District-wide

Report Summary

This report provides information about debtor write offs authorised by the Director of Resources under delegated authority in accordance with the Council's Financial Regulations and seeks approval for the write off of individual debts exceeding £10,000 in accordance with the Council's Financial Regulations.

Recommendation

That the individual amounts exceeding £10,000 listed in Appendix 1 totalling £42,612.05 be written off.

List of Appendices

Appendix 1 Schedule of write offs

Background Papers

None

Consideration of report by Council or other committee

No

Council Approval Required

No

Exempt from Press or Public

No

Arrears for write off 2022/23

1 Background

- 1.1 Under regulation B7(a) of the Council's Financial Regulations, authority is delegated to the Director of Resources to write-off individual arrears up to £10,000. Under the scheme of officer delegation the Director of Resources also has authority to write off any arrears that have been caused by an officer error. This report details those debts exceeding £10,000 for which authorisation to write-off is required from this Committee under regulation B7(b) of the Financial Regulations.
- 1.2 This report for 2022/23 covers arrears relating to council tax, non-domestic rates, housing benefit overpayments and sundry debts.
- 1.3 The debts detailed in this report have been pursued through all appropriate methods of recovery open to the Council. The [Revenues Debt Recovery Policy](#) shows the approach taken to recovery for each type of debt. It is considered that any further action attempted at recovering the debts proposed for write off would be likely to incur additional expenses to the Council without the prospect of payment. As such, where these individual debts exceed £10,000 they are referred to this Committee for approval to write them off.
- 1.4 It should be noted that any debt will be reinstated where further information subsequently comes to light that allows further recovery action to be pursued.
- 1.5 Accounts submitted for write-off fall into one of the following categories:
 - Amounts remitted by the Magistrates Court (or where the Court has refused to grant a Liability Order)
 - Amounts for which the debtor has served a prison sentence
 - Amounts where the debtor is bankrupt or insolvent
 - Amounts where the debtor has died and there are insufficient funds in their estate
 - Amounts where the debtor has absconded or gone abroad and cannot be traced
 - Amounts where it has become uneconomic to pursue the debt
 - (Very rarely) Amounts where there has been an officer error.
- 1.6 The Chartered Institute of Public Finance & Accountancy (CIPFA) recommends that it is good practice to identify debts that are unlikely to be paid and to account for them in the accounts as soon as possible.

2. Key Issues

- 2.1 The position as at 6 February 2023 is summarised in the table below. There are three proposed write offs over £10,000 that require the committee's approval on this occasion.

Table 1: Write offs summary 2022/23

	Council Tax Arrears	NNDR Arrears	Housing Benefit Overpayment Arrears	Sundry Debtors Arrears	Total
	£	£	£	£	£
Amounts of £10,000 and under written-off under delegated authority 1 April 2022 to 8 February 2023	36,074.98	26,850.65	20,141.77	6,274.72	89,342.12
Amounts over £10,000 to be considered by Governance & Resources Committee on 8 March 2023	0.00	42,612.05	0.00	0.00	42,612.05
Amounts over £10,000 relating to officer error and written-off under delegated authority	0.00	0.00	0.00	0.00	0.00
Total	36,074.98	69,462.70	20,141.77	6,274.72	131,954.17
Provision for Doubtful Debts 01/04/22	252,303.74	541,279.00	69,658.17	96,049.08	959,289.99
Total written-off in 2018/19	67,368.90	70,867.00	28,506.67	79,227.41	245,969.98
Total written-off in 2019/20	67,881.04	158,714.00	44,363.24	10,799.92	281,758.20
Total written-off in 2020/21	106,558.55	21,576.00	4,512.15	1,900.12	134,546.82
Total written-off in 2021/22	148,867.31	60,968.00	46,601.76	1,743.61	258,180.68

2.2 Officer comment

Most write offs in 2022/23 relate to cases involving bankruptcy, insolvency, debt relief orders, where payers are deceased or have left with no trace or where debts are uneconomic to pursue.

Council Tax

2.3 No write offs are proposed in this report for council tax debts over £10,000. The 2022/23 Council Tax net collectable debit is currently in the order of £62m. The amount of £36,074.98 shown in table 1 above for write offs represents 0.06% of this amount and is well within the provision of £252,303. The write offs in this report cover several financial years.

2.4 Irrecoverable council tax is shared between the district council and major preceptors. For 2022/23 Derbyshire Dales District Council meets 14% of the amounts written off.

- 2.5 Council tax collections for 2020/21, 2021/22 and 2022/23 are below target as payments have been impacted by the coronavirus pandemic and the ‘cost of living’ crisis. The Council took the decision to take a “light touch approach” to debt recovery during the pandemic, wishing to support residents and businesses through this difficult time. Debt recovery action was suspended in 2020/21 and the early months of 2021/22. From the July 2021 the revenues team were able to send reminders to non-payers. The first available Magistrates Court Hearings were in September 2021. The collection rates for 2020/21 to 2022/23 are continuing to improve but, because of the delays in being able to take higher level recovery action, collection rates for these financial years might not reach the usual targets by 31 March 2023. However, the arrears will continue to be actively collected beyond that date (as with all arrears).

Table 2: % of council tax and non-domestic rates debt collected to 31 January 2023

Year	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23 To 31 January*
Council Tax Target	99.2%	99.3%	99.3%	99.3%	99.3%	96.5%
Council Tax Actual	99.7%	99.6%	99.4%	99.0%	98.7%	95.8%
Non-Domestic Rates Target	98.2%	98.2%	98.2%	98.2%	98.2%	92.6%
Non-Domestic Rates Actual	98.9%	98.8%	99.0%	98.7%	98.7%	92.7%

*Targets for 2022/23 have been adjusted to reflect a 10 month collection period to 31 January 2023.

Non-domestic rates

- 2.6 Three write offs over £10,000 are proposed in this report for non-domestic rates debts over £10,000. These write offs are shown in Appendix 1 and total £42,615.05. The 2022/23 Non-Domestic Rates net collectable debit is currently in the order of £17m. The amount of £69,462.70 shown in table 1 for write offs represents 0.4% of this amount. The write offs in this report cover several financial years.
- 2.7 Non-domestic rates collections are now back on track following the decision to take a “light touch approach” to debt recovery, which applied until August 2021. This was helped in part by additional rate reliefs, such as government-funded ‘Covid rate reliefs’, which reduced the net debit collectable by around £8m (44%) in 2020/21 and £5m (28%) in 2021/22.
- 2.8 Irrecoverable Non-Domestic Rates are shared between central government and local government under the Business Rates Retention Scheme. For 2022/23, Derbyshire Dales District Council meets 40% of the amounts written off.

Housing benefit overpayments

- 2.9 No write offs are proposed in this report for housing benefit overpayments over £10,000. During 2022/23 there have been 68 cases for write off authorised under delegated authority totalling £20,141.77, which is well within the provision of £69,458. With 39 of the 68 cases (57%), the most common reason for write off in 2022/23 is “Not cost effective to pursue”, with the average amount of write off in this category being £21.09.
- 2.10 The arrears outstanding at 1 April 2022 was £646,803.68. The sum of £20,141.77 for write offs in 2022/23 relates to debts spanning several financial years and represents 3.1% of arrears outstanding at the start of the year (write offs in 2021/22 totalled £46,601.76, which represented 5.9% of arrears outstanding at the start of that year; for 2020/21 the figure was 0.5%).
- 2.11 As at 31 January 2023 the arrears outstanding had reduced to £604,721 (£646,804 was brought forward at 1 April 2022). The fact that the balance of arrears continues to reduce demonstrates that recovery action by the Benefits Overpayments Officer continues to be effective. Arrears outstanding at 31 March 2017 (when the appointment was approved) amounted to £1,132,755.
- 2.12 Members should note that recovering housing benefit overpayments from people on low incomes is very difficult; payment arrangements need to be reasonable and affordable and it can several years to fully recover a debt in some cases as repayments have to be reasonable and affordable.

Sundry debts

- 2.13 No write offs are proposed in this report for sundry debts over £10,000. The net collectable debt for sundry debts in 2021/22 was £3.9m; £4.7m has been raised for 2022/23 up to 31 January 2023. The 2022/23 write offs to this date total £6,274.72 which represents 0.13% of expected net collectable debt (so far) for that year (0.04% in 2021/22). The value of write offs for 2022/23 is well within the amount in the provision £96,049.

3. Options Considered and Recommended Proposal

- 3.1 The Committee could choose not to write off the arrears in some / all of the cases over £10,000. Given that officers have exhausted debt recovery in these cases, not writing them off would be contrary to CIPFA advice (see above).

4. Consultation

- 4.1 No consultation is required.

5. Timetable for Implementation

- 5.1 Subject to approval of the report recommendations, the write offs will be actioned as soon as possible following the publication of the minutes of the meeting.

6. Policy Implications

- 6.1 The debts detailed in this report have been pursued through all appropriate methods of recovery open to the Council. The [Revenues Debt Recovery Policy](#) shows the approach taken to recovery for each type of debt.

7. Financial and Resource Implications

- 7.1 The Council has established provisions for doubtful debts, as set out in table 1 in paragraph 2.1. The amounts written off or proposed in 2022/23 total £131,954.17 and are well within the overall budgetary provision of £959,290. The financial risk is assessed as “medium”.

8. Legal Advice and Implications

- 8.1 This report provides information about debtor write offs authorised by the Director of Resources under delegated authority in accordance with the Council’s Financial Regulations and seeks approval for the write off of individual debts exceeding £10,000 in accordance with the Council’s Financial Regulations.
- 8.2 The Director of Resources is acting in accordance with powers delegated to her under Section 101 of the Local Government Act 1972.
- 8.3 The Council has a duty to pursue all monies owed to it and the write offs are to enable the District Council to finalise its accounts for the year. It will use the appropriate legal powers available to it to recover the sums due.
- 8.4 The Legal risk connected to the decision making contained in this report has been assessed as low.

9. Equalities Implications

- 9.1 There are no equalities implications for this report. It is clear that effort is made to ensure people on low incomes are given reasonable and affordable ways to repay debts.

10. Climate Change Implications

- 10.1 There are no climate change implications arising from the recommendations of this report.

11. Risk Management

- 11.1 Financial and legal risks have been assessed above.
- 11.2 The Council is expected to have a sound policy and financial regulations in place to cover the collection of debts and arrangements for write offs. Failure to comply with these would amount to a reputational risk.

Report Authorisation

Approvals obtained from:-

	Named Officer	Date
Chief Executive	Paul Wilson	27/02/2023
Director of Resources/ S.151 Officer (or Financial Services Manager)	Karen Henriksen	27/02/2023
Monitoring Officer (or Legal Services Manager)	Kerry France	27/02/2023

Appendix 1: Schedule of Write Offs

Non-Domestic Rates Write Offs (over £10,000)

Reference	Business Type	Reason for Write off	Amount	Period of charge
70000849	Public House	Company dissolved	£13,298.85	2021/22
70139518	Industrial	Unable to trace*	£11,630.57	2012 to 2017
70186316	Retail	IVA now finalised and final payment received	£17,682.63	2019/20

Total: NNDR £42,612.05

Total write offs over £10,000 £42,612.05

*The case was returned by the enforcement agents as unable to trace. The property was derelict and has been taken out of rating by the VOA but they could only backdate this to 01/04/17, so write off is required for outstanding business rates for periods prior to that date.