



OPEN REPORT
GOVERNANCE AND RESOURCES COMMITTEE

Governance and Resources Committee – 2 November 2023

ARREARS FOR WRITE OFF 2023/24

Report of the Director of Resources

Report Author and Contact Details

Karen Henriksen – Director of Resources

01629 761284 or karen.henriksen@derbyshiredales.gov.uk

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 individual debts of £10,000 or more in accordance with the Council's Financial Regulations.

Recommendation

That the individual debts of £10,000 or more listed in Appendix 1 totalling £80,136.38 be approved for write off.

List of Appendices

Appendix 1: Schedule of proposed 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 5.2.12 of the Council's Financial Regulations, authority is delegated to the Director of Resources to write-off individual debts up to £10,000. Under the scheme of delegation to officers 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 of £10,000 or more for which authorisation to write-off is required from this Committee under regulation 5.2.12 of the Financial Regulations.
- 1.2 This mid-year report for 2023/24 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](#) was last approved in 2016 but is currently under review. It 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 are for £10,000 or more, 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 generally 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 where the debtor is bankrupt, insolvent, has entered into an Individual Voluntary Arrangement (IVA), has a Debt Relief Order (DRO) or is a company In Administration where there is no prospect of payment;
 - 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
 - Amounts for which the debtor has served a prison sentence;
 - (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 30 September 2023 is summarised in the table below. There are four proposed write offs for individual debts of £10,000 or more that require the committee's approval on this occasion. All of these relate to non-domestic rates.

Table 1: Write offs summary 2023/24 as at 30 September 2023

	Council Tax Arrears	Non- Domestic Rates Arrears	Housing Benefit Overpay- ment Arrears	Sundry Debtors Arrears	Total
	£	£	£	£	£
Amounts of less than £10,000 written-off under delegated authority from 1 April 2023 to 30 September 2023	38,582.70	88,732.07	15,754.06	0.00	143,068.83
Amounts of £10,000 or more to be considered by Governance & Resources Committee on 2 November 2023 (see Appendix 1)	0.00	80,136.38	0.00	0.00	80,136.38
Amounts of £10,000 or more relating to officer error and written-off under delegated authority	0.00	0.00	0.00	0.00	0.00
Total	38,582.70	168,868.45	15,754.06	0.00	223,205.21
Provision for Doubtful Debts 01/04/23	479,317.28	72,577.00	58,383.84	41,841.69	652,119.81
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
Total written-off in 2022/23	36,050.16	19,789.29	19,930.78	13,779.04	89,549.27

2.2 Officer comment

Most write offs in 2023/24 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 individual council tax debts of £10,000 or more. The 2023/24 Council Tax net collectable debit is currently in the order of £65m. The amount of £38,582.70 shown in table 1 above for write offs represents 0.06% of this amount and is well within the impairment provision in the Council's accounts, which stood at £479,317 on 31 March 2023. 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 2023/24 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 2024. 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 30 September 2023

Year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 To 30 Sept.*
Council Tax Target	99.3%	99.3%	99.3%	99.3%	99.3%	61.5%
Council Tax Actual	99.7%	99.5%	99.1%	98.9%	98.4%	61.5%
Non-Domestic Rates Target	98.2%	98.2%	98.2%	98.2%	98.2%	59.1%
Non-Domestic Rates Actual	98.9%	99.0%	98.7%	98.9%	98.3%	58.4%

*Targets for 2023/24 have been adjusted to reflect a 6-month collection period to 30 September 2023 (based on in-year collections in 2018/19 & 2019/20 i.e. pre-covid).

Non-domestic rates

- 2.6 Four individual debts of £10,000 or more relating to non-domestic rates are proposed for write off in this report. These proposed write offs are shown in Appendix 1 and total £80,941.11. The 2023/24 Non-Domestic Rates net collectable debit is currently in the order of £16.7m. The amount of £168,868.45 shown in table 1 for write offs represents 1% of this amount. The write offs in

this report cover several financial years.

- 2.7 Non-domestic rates collections for previous years 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 Non-domestic rates collections for 2023/24 are slightly under target at 30 September but this is mainly due to one large public sector body who usually pays its rates bill in full in September each year. This year payment has been delayed, which has distorted the collection rate as at 30 September. It is expected that recovery action will mean that a payment is received soon, and the in-year collection rate will be back on track. Performance against targets is monitored monthly.
- 2.9 Irrecoverable Non-Domestic Rates are shared between central government and local government under the Business Rates Retention Scheme. For 2023/24, Derbyshire Dales District Council meets 40% of the amounts written off.

Housing benefit overpayments

- 2.10 No write offs are proposed in this report for housing benefit overpayments over £10,000. At the time of writing this report there have been 24 cases for write off authorised under delegated authority in this financial year, totalling £15,754.06, which is well within the provision of £58,384.
- 2.11 The reasons for housing benefit overpayment write offs approved so far this financial year are given in table 3 below. The most common reason for write off so far in 2023/24 is “Debtor deceased (with no estate)”, with 7 cases and write offs totalling £1,683.39 (the average amount of write off in this category being £240.48).

Table 3: Reasons for the housing benefit overpayments write offs approved 1 April 2023 to 18 October 2023:

	<u>No</u>	<u>£</u>
Absconded	5	£2,526.85
Recovery exhausted	3	£2,533.00
Debtor deceased (no estate)	7	£1,683.39
Uneconomical to recover	5	£8.27
Debt Relief Order	1	£4,533.60
IVA	2	£4,456.95
Discretionary Housing Payments	1	£12.00
	24	Total £15,754.06

- 2.12 The arrears outstanding at 1 April 2023 was £568,978. At 30 September 2023 the arrears outstanding had reduced to £545,869 (before the write offs in table 3 had been actioned). 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.

- 2.13 Members should note that recovering housing benefit overpayments from people on low incomes is very difficult, especially at the time of a cost-of-living crisis. Payment arrangements need to be reasonable and affordable for debtors and it can take several years to fully recover a debt in some cases.

Sundry debts

- 2.14 There have been no requests for write offs relating to sundry debts so far in 2023/24. The net collectable debt for sundry debts in 2022/23 was £5.5m; £2.9m has been raised for 2023/24 up to 30 September 2023. There is £41,842 in the provision for impairment, which will be reviewed at the year-end.

3. Options Considered and Recommended Proposal

- 3.1 The Committee could choose not to write off the arrears in some or all of the cases shown in Appendix 1. 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. This policy is currently under review; a revised Debt Recovery will be presented to this committee for approval in due course.

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 2023/24 total £223,205.21 and are within the overall budgetary provision of £652,120. 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 of £10,000 or more 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 151 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	23/10/2023
Director of Resources/ S.151 Officer (or Financial Services Manager)	Karen Henriksen	23/10/2023
Monitoring Officer (or Legal Services Manager)	Kerry France	23/10/2023

Appendix 1: Schedule of Proposed Write Offs (individual debts of £10,000 or more)

Non-Domestic Rates Write Offs

Reference	Business Type	Reason for Write off	Amount	Period of charge
70164088	Retail	Liquidation	£14,592.81	2016-2023
70170809	Construction	Company Dissolved	£44,347.30	2017-2021
70198210	Community Interest Company	VOA Backdating Restriction & Insufficient Funds	£10,752.48	2018 - 2022
70198203	Community Interest Company	VOA Backdating Restriction & Insufficient Funds	£10,443.79	2018 - 2021

Total: Non-Domestic Rates £80,136.38

Total for individual write offs of £10,000 or more £80,136.38