



Report To: Executive Board

Date: 6 November 2024

Subject: Debt Write Off

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

Key Decision: No

Portfolio Holder: Councillor Thomas Kemp, Portfolio Holder for Finance

Report Of: Deputy Chief Executive – Corporate Development (S151)

Report Author: Sharon Hammond, Head of Revenues and Benefits

Ward(s) Affected: All Wards

Exempt Report: Y

Appendix A to this report is 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 seeks approval for the write off of amounts identified as uncollectable, and for approval of the Debt Management Policy.

Recommendations

That Executive Board: -

- i) Approve the debts identified in this report for write off.
- ii) Re-approves the Debt Management Policy, and

- iii) Delegates the Section 151 Officer, in consultation with the Portfolio Holder for Finance, to approve future amendments to the Debt Management Policy which are minor in nature or are required as a result in a change in legislation.

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.

The Debt Management policy has been in place a number of years. Following the most recent review, delegating approval for future review and updates to the Debt Management Policy will enable efficient management of the policy.

Other Options Considered

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

Do not delegate approval for the review and updates to the Debt Management Policy.

1. Background

- 1.1 Efficient and well administered debt management is crucial to the Council. Despite extensive efforts to recover debts, the need to write off debt can arise, including debtors being untraceable, insolvent, or deceased with insufficient funds in estate.
- 1.2 All methods of recovery are considered and pursued in line with legislative provision, before making the decision to write debt off. This can include internal recovery action, use of debt Enforcement Agents, external tracing agents and procedures through the Courts.
- 1.3 East Lindsey's financial rules requires write off for debts over £50,000 to be approved by Executive Board.
- 1.4 East Lindsey has had its Debt Management Policy in place for a number of years, setting out its approach to recovery, and the options available. It is opportune to bring this policy to Executive Board as part of this report for re-approval following the latest review.

2. COLLECTION, RECOVERY AND ENFORCEMENT UPDATE

- 2.1 The post-pandemic impact and the cost-of-living crises continues to be felt in the collection, recovery and enforcement of debt.
- 2.2 Collection rates have not returned to pre-covid levels despite the statutory recovery programme in place. In-year collection rates are however a point in time measure, not an indication of final collection for any financial year. Recovery and enforcement of previous years arrears continues after the end of the financial year.
- 2.3 Government data indicates that whilst the number of Individual Voluntary Arrangements (IVA's) registered in August 2024 was similar, and bankruptcies were lower than numbers seen over the last 12 months, following the removal of the £90 administration fee there has been the highest number of Debt Relief Orders (DRO's) since their introduction. In terms of companies, compared to the 12-month period ending 31 August 2023, there was a slight increase in the numbers that entered insolvency between 1 September 2023 and 31 August 2024.

For East Lindsey, we have seen 752 insolvency related work items in 2024/25 to date, and we are seeing an increase in DRO's, consistent with the national position.

- 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 been 196 debtors enter into this process, totalling £402,562. Of these, 5 are currently in breathing space.

3. Debts Presented for Write Off

- 3.1 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. Executive Board approval for write off is now requested.
- 3.2 A summary of these debts is shown in the table below, totalling £449,345.45 (of which the indicative loss to East Lindsey District Council is £179,738.18).

	Insolvency	Unenforceable	Total
Business Rates	£358,574.80	£90,770.65	£449,345.45
			40%
	Indicative loss to ELDC		£179,738.18

- 3.3 Details of individual debts are shown in confidential Appendix A, including the reason for write off. Almost 80% of the debt relates to insolvency. Where applicable, multiple debts for a debtor are shown together.
- 3.4 Consultation has taken place with the Section 151 Officer and the Portfolio Holder for Finance. Executive Board can therefore be assured that the debts are irrecoverable, and that write off is the correct course of action.
- 3.5 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.

4. Debt Management Policy

- 4.1 East Lindsey has had its Debt Management Policy in place for a number of years. Whilst there have been no major changes to the policy context or intent since its introduction, it is opportune to seek Executive Board re-approval following the latest review.
- 4.2 The policy, which sets out the council's approach to debt management, and the options that are available, is shown at Appendix B.
- 4.3 Delegation for future policy reviews, including minor changes, or as a result in change in legislation will enable efficient maintenance of the policy.

5. Conclusion

- 5.1. In terms of the debts presented for write off, recovery and enforcement options have been exhausted, leaving write off as the appropriate course of action, recognising however that in the event any new information comes to light, debt can always be resurrected.
- 5.2. In relation to the Debt Management Policy, future delegation will enable efficient management.

Implications

South and East Lincolnshire Councils Partnership

None

Corporate Priorities

None

Staffing

None

Workforce Capacity Implications

None

Constitutional and Legal Implications

The presentation of these debts to Executive Board is in line with the requirements of the Councils constitution and financial rules.

Data Protection

None

Financial

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.

Risk Management

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.

Stakeholder / Consultation / Timescales

None

Reputation

None

Contracts

None

Crime and Disorder

None

Equality and Diversity / Human Rights / Safeguarding

None

Health and Wellbeing

None

Climate Change and Environmental Implications

None

Acronyms

None

Appendices

Appendices are listed below and attached to the back of the report:

Appendix A (Exempt)	Business Rates Debts
Appendix B	Debt Management Policy

Background Papers

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

Chronological History of this Report

A report on this item has not been previously considered by a Council body

Report Approval

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Approved for publication:	Councillor Thomas Kemp, Portfolio Holder for Finance