

EAST RENFREWSHIRE COUNCILCABINET6 February 2020Report by Deputy Chief ExecutiveDEBT MANAGEMENT FOR COUNCIL TAX, NON DOMESTIC RATES, SUNDRY DEBT  
INCOME AND HOUSING BENEFIT OVERPAYMENTS**PURPOSE OF REPORT**

1. The purpose of this report is to seek approval to write-off as irrecoverable sums associated with Council Tax and Water Charges; Non Domestic rates, Sundry debt income and Housing Benefit overpayments.

**RECOMMENDATIONS**

2. It is recommended that the Cabinet:
- (a) approves the write off of the following sums, without prejudice to subsequent recovery, as part of the annual write-off procedure:
    - Council tax arrears totalling up to £242,629.97
    - Non Domestic Rates arrears totalling up to £159,163.35
    - Sundry debt income totalling up to £69,268.86
    - Housing Benefit Overpayments totalling up to £91,821.72
  - (b) notes that the write-off of these sums will have no net impact on the Council's accounts as provision has been made for the debt, in full, in previous years;
  - (c) notes that Water and Sewerage charges totalling up to £80,230.94 are also being written off in discussion with Scottish Water;
  - (d) notes that a further paper in relation to Non Domestic Rates will be developed during 2020/21.

**BACKGROUND**

3. The Council debt recovery policy lists situations where write-off of debts will be considered when all viable means of collection are exhausted. As per standard accountancy practice, when it is clear that all viable means of collection are exhausted, the debt is written off and a release from the bad debt provision is used to offset this expense. There is no net impact on the overall revenue accounts of the Council as "bad debt provision" has already been provided for the debt not being repaid. The Council sets the level of "bad debt provision" at a prudent level to minimise risk to the Council.

4. The Council bills and collects water and sewerage charges on behalf of Scottish Water. Sums collected/written-off in this regard do not affect Council revenue.

## COUNCIL TAX & WATER CHARGES

5. In line with the debt recovery policy, write-off of debts associated with Council Tax and Water charges will be considered when:

- Debtor is deceased and has left no estate
- Debtor has been sequestrated
- Debtor has gone away and all attempts to trace them have been undertaken
- Small balances, uneconomical to pursue

6. A recent trawl of outstanding Council Tax accounts shows by reason of write-off:

	Number of Accounts	Council Tax Total	Water & Sewerage
		£	£
Deceased	126	36,643.00	12,116.81
Sequestrated	437	202,654.05	67,012.02
Gone Away	2	894.02	295.63
		2,438.90	806.48
Small Balances	477		
<b>TOTAL</b>	<b>1,042</b>	<b>242,629.97</b>	<b>80,230.94</b>

7. The comparative write-off which the Cabinet approved last year at this time was Council tax of £218,584.00 and Water and Sewerage charges of £72,163.54

8. Water and Sewerage charges are collected on behalf of Scottish Water but the Council retains none of the income.

9. The sum to be written-off is less than 0.5% of the sum which will be collected in the current year and can be met from existing bad debt provision. East Renfrewshire Council ranked 4<sup>th</sup> in Scotland for Council Tax collected in 2018/19.

## NON DOMESTIC RATES

10. In line with the debt recovery policy, write-off debts associated with Non-Domestic Rates will be considered in the event of:

- Company liquidated
- Sole trader sequestrated
- Business ceased trading / dissolved
- Small balance, uneconomical to pursue

11. In the year 2019/20, 19 businesses with NDR arrears of £159,163.35 have been identified for write off and an additional 40 businesses have small balances which are

uneconomical to pursue further. The small balances total £186.92. Analysis of these accounts shows reason for write off as follows:

Reasons	Number of businesses	Value (£)
Company liquidated	5	£27,769.27
Sole trader Sequestrated	2	£5,568.91
Company Dissolved	12	£125,638.25
Small balances	40	£186.92
Total	59	£159,163.35

Further analysis by year the debt was incurred shows:-

Financial Year debt incurred	Value
2005_06	£75.43
2006_07	£20.12
2007_08	£11.17
2008_09	£17.83
2009-10	£2.65
2013-14	£0.01
2014_15	£3,445.85
2015_16	£7,728.60
2016_17	£49,471.95
2017_18	£40,523.47
2018_19	£52,301.27
2019_20	£5565.00
Total	£159,163.35

12. The sum to be written-off is around 1% of the sum which will be collected in the current year and can be met from existing bad debt provision. East Renfrewshire Council collected in excess of 97% of Non-Domestic rates income in the 2018/19 year and has seen year on year improvement in this area.

13. In 2018/19, Cabinet approved a paper in relation to irrecoverable Non Domestic Rates and arrangements for the administration of Non Domestic Rates. The paper advised that a complete review of all historical Non Domestic Rates arrears would take place, and that a further Cabinet paper would be presented when this exercise is complete. Cabinet is asked to note that this activity will take place during 2020/21.

### SUNDRY DEBT INCOME

14. The main reasons for seeking approval for write-off of sundry debtor income, together with amounts for each reason, are shown below:

	£
Sheriff Officer Reports Low likelihood of recovery	69,214.61
Small balances uneconomic to pursue	54.25
	69,268.86

15. The sum being put forward for write off this year is higher than the sum approved by Cabinet last year (£43,567.03) and is less than 1% of income expected to be collected in the current year.

## HOUSING BENEFIT OVERPAYMENTS

16. Housing Benefit Overpayments (HBOs) can occur where a housing benefit recipient fails to notify the Council of a change of circumstance which affects the level of housing benefit they are due to receive. In most cases this is due to oversight but in a small number of cases the overpayment is the result of an attempt to defraud. Higher value more important cases of this type are referred to the Department of Work and Pension's Fraud and Error Service (FES) where such action may lead to prosecution or to a financial penalty being applied, known as an administrative penalty.

17. A recent analysis of the outstanding Housing Benefit Overpayments shows by reason of write off:-

	No. of cases	£
Deceased	44	12,467.67
Sequestrated	32	67,876.52
Prescribed*	21	8,046.60
Small value	17	78.10
Council error	10	2733.86
Other	5	618.97
	<u>129</u>	<u>91,821.72</u>

(\*prescribed debt is debt that has been legally extinguished due to the time lapsed.)

18. The comparative HBO write-off which the Cabinet approved in 2019 at this time was £90,739.54.

19. Performance on Housing Benefit Overpayment recovery has improved in recent years. In 2017/18, 71% of overpayments identified in that year had been collected and in 2018/19 performance had increased to 89% for the same indicator. We continue to see good results in this area in 2019/20.

20. In many cases HBO debtors' come from very low income households whose only source of income is benefits. For these reasons councils find it difficult to recover HBOs, however, in all cases the recipient is expected to repay the resulting overpayment. Outstanding debts are recovered either through benefit deductions at source (if the recipient is on benefits), payment arrangements with the Debt Recovery Team or direct deductions via the Department of Work and Pensions (DWP).

21. The sum recommended for write off represents around 7% of the total Housing Benefit Overpayment level and can be met from existing bad debt provisions.

## **FINANCE AND EFFICIENCY**

22. The impact of these proposed write-offs is fully provided for within bad debt provision within the Council (i.e. excluding Scottish Water charges).

23. Every effort is made to recover these sums and the decision to seek write-off is not taken lightly or without due cause. Should any future avenue become available by which to recover these monies, this decision does not prevent any such opportunities being pursued, hence the recommendation of write-offs “up to” said amounts.

## **CONSULTATION AND PARTNERSHIP WORKING**

24. Council departments have been consulted in relation to the Sundry debt write off proposals. Scottish Water have been involved in detail of the water/sewerage charge write-off proposals. Our Non-Domestic Rates collection is administered on our behalf by Renfrewshire Council as a shared service.

## **IMPLICATIONS OF THE REPORT**

25. There are no implications in relation to IT, legal, property, equality or sustainability.

## **CONCLUSION**

26. Write-offs are made annually as part of normal business processes. There is accountancy provision for such write-offs and as such they do not affect the Council’s overall finances.

## **RECOMMENDATIONS**

27. It is recommended that the Cabinet:

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- (d) notes that a further paper in relation to Non Domestic Rates will be developed during 2020/21.

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## **BACKGROUND PAPERS**

- Debt Management for Council Tax, Sundry Debt income and Housing Benefit Overpayments, Cabinet 14 March 2019
- Write off of Irrecoverable Non Domestic Rates and Arrangements for Administration of Non Domestic Rates, 14 March 2019,
- Write-off of Irrecoverable Council Tax, Non Domestic Rates, Sundry Debts and Housing Benefit Overpayments, 15 March 2018
- Collection of Revenues – Debt Recovery Policy, Cabinet 16 June 2016

Evidence is also provided by the Council Tax system, the Non Domestic Rates system and reports from Sheriff Officers