

EAST RENFREWSHIRE COUNCILCABINET14 March 2019Report by Deputy Chief ExecutiveNON-DOMESTIC RATES DEBT MANAGEMENT**PURPOSE OF REPORT**

1. The purpose of this report is to seek approval to write-off as irrecoverable Non-Domestic Rates totalling £897,823.63 and to seek exemption from normal tendering procedures to allow continued Non-Domestic Rates provision by Renfrewshire Council over the next 2-3 years whilst an option appraisal is developed for future provision of this service.

RECOMMENDATIONS

2. It is recommended that the Cabinet:
- (a) approves write-off of a total of £83,608.75 of irrecoverable Non-Domestic Rates, without prejudice to subsequent recovery procedure, as part of the annual write-off procedure;
 - (b) notes that as part of a data cleansing exercise led by Renfrewshire Council, historical debts are being reviewed to determine which are unrecoverable and should now be written off;
 - (c) notes that the write-off of these historic unrecoverable debts will have no net impact on the Council's accounts as provision has been made for the debt, in full, in previous years;
 - (d) approves the write off of £814,214.88 of historical debt going back to 2005 as part of the first phase of the data cleansing exercise (which will have no net impact on the Council's revenue accounts);
 - (e) notes that a further report will be brought back to the Cabinet once all historical debt has been reviewed; and
 - (f) approves exemption from normal tendering arrangements to allow continuation of existing administration arrangements for Non-Domestic Rates via Renfrewshire Council for the next 2-3 years, acknowledging that longer term there will be an options review for delivery of this service.

BACKGROUND

3. Non-Domestic Rates (NDR) have been administered on East Renfrewshire Council's behalf by Renfrewshire Council since 2005. The annual charge paid for this has not changed significantly in this timeframe and an internal assessment in 2017 demonstrated that the service represented good value for money.

4. NDR is “pooled” across councils. Each year the Scottish Government estimate the NDR which each council will collect and this is included within the overall funding settlements for all councils. The estimated collection figure includes a calculation of gross income minus expected losses from appeals, expenditure on reliefs, and a combined figure for provision for bad debt and write-offs. At year end, actual NDR collected is matched with that estimated and any variation is adjusted through the pooled settlement and is neither a risk nor benefit to the Council.

5. The overall NDR due to be collected in East Renfrewshire is approximately £15million per annum which is 0.54% of the Scottish total and reflects the largely residential nature of the area.

6. In-year collection of NDR within East Renfrewshire is usually around 97%, rising to around 98% for income received within a rolling 5-year period. In the current year a bad debt provision of 2% of NDR billed is provided for with a full provision applied to all prior years’ debt. All efforts continue to be made to maximise NDR receipts.

7. As per standard accountancy practise, 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.

8. The Council’s Debt Recovery Policy, approved by the Cabinet in 2016, lists situations where write-off debts will be considered. Reasons for write-off include the following:

- Ratepayer Deceased (with no estate)
- Company in receivership
- Company liquidated / sole trader sequestrated
- Company ceased trading

REPORT

2018/19 Write-Off

9. In the year 2018/19, 10 businesses with NDR arrears of £83,608.75 have been identified for write off, relating to years 2014 to 2018. These can be broken down as follows:

Reasons	Number of Businesses	Value (£)
Dissolved	2	£23,842.66
Liquidated	6	£46,648.35
Sequestrated	2	£13,117.74
Grand Total	10	£83,608.75

Year	Value (£)
2014	£1,165.52
2015	£11,457.71
2016	£35,494.29
2017	£35,065.15
2018	£426.08
Grand Total	£83,608.75

Historical Write-Off

10. When the write off of NDR balances was last considered by Cabinet in March 2018 the report advised that historically, the value of NDR identified for write off had been under reported and that an exercise would take place to analyse this caseload.

11. A data-cleansing exercise within Renfrewshire Council (who administer NDR on our behalf) has now identified a level of old historical debt which meets the criteria for write-off but had not yet been reported to East Renfrewshire Council for formal write-off. This historical debt has been fully accounted for in terms of our bad debt provision but the final write off step has not been concluded. The value of this historical debt is £814,214.88 and relates to 68 businesses from years 2005 to 2013. 47% of the value of this historical debt is attributable to 2 ratepayers who have arrears of around £390,000 (47%) of the value.

Reason	Number of Businesses	Value (£)
Administration	4	£38,526.96
Dissolved	15	£95,573.75
Gone Away	2	£4,092.37
Irrecoverable	20	£184,035.50
Liquidated	11	£178,465.08
Sequestered	13	£299,338.40
Trust Deed	3	£14,182.82
Grand Total	68	£814,214.88

Year	Value (£)
2005	£44,699.65
2006	£56,106.09
2007	£59,957.02
2008	£224,139.77
2009	£94,340.15
2010	£86,155.58
2011	£130,686.50
2012	£113,167.84
2013	£4,962.28
Grand Total	£814,214.88

12. Renfrewshire Council replaced their ICT system in 2015/16 and have notified us that they are undertaking a further data cleansing exercise of information held on their old system prior to 2015. While this will result in requirement for a further write-off of historical debt, this is primarily a data cleansing exercise and it is important to note that there has been accountancy provision for this debt and there will be no net impact to the Council's accounts as a result.

FINANCE & EFFICIENCY

13. Taking into account the normal write-off for more recent debts and the current value of historical NDR debt, the total value proposed for write off is £897,823.63. This covers years 2005 to 2018, and this amount is fully provided for within the bad debt provision.

14. NDR has been administered by Renfrewshire Council, on behalf of East Renfrewshire Council since 2005. Cabinet approved the continuation of the shared service in March 2014, for a period of 5 years. The current annual fee has not changed significantly in this period.

15. At this time, East Renfrewshire Council would be unable to operate at the cost proposed by Renfrewshire and our current ICT system does not have an NDR module. There is some movement in the external market for provision of this service which is worth exploring, but this will take some time. Exemption from normal tendering arrangements is sought under the grounds of 'special circumstances' to allow us to continue with existing administration arrangements for NDR via Renfrewshire Council for the next 2-3 years (inclusive of a year's notice period should that be required), acknowledging that there will be an options review for delivery of this service.

CONSULTATION & PARTNERSHIP WORKING

16. The Head of Accountancy and Chief Officer – Legal and Procurement have been involved in the development of this report and there has been close partnership working with colleagues in Renfrewshire Council to prepare the detail of the figures presented here.

CONCLUSION

17. Write-offs of Non-Domestic Rates 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. Whilst there is a level of historical debt represented here, as a result of a data-cleaning exercise, this too has been provided for in the accounts for a number of years, but has not yet been formally written off. We understand that Renfrewshire Council is also conducting a similar data-cleansing exercise for its own records.

RECOMMENDATIONS

18. It is recommended that the Cabinet:

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- (b) notes that as part of a data cleansing exercise led by Renfrewshire Council, historical debts are being reviewed to determine which are unrecoverable and should now be written off;
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- (f) approves exemption from normal tendering arrangements to allow continuation of existing administration arrangements for Non-Domestic Rates via Renfrewshire Council for the next 2-3 years, acknowledging that longer term there will be an options review for delivery of this service.

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BACKGROUND PAPERS

- Write-Off of Irrecoverable Council Tax, Non- Domestic rates, sundry debt income and Housing Benefit Overpayments, Cabinet 15 March 2018
- Collection of Revenues – Debt Recovery Policy, Cabinet 16 June 2016

KEY WORDS

Write-off, Non-Domestic Rates, NDR, debt, irrecoverable, shared service.

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