

EAST RENFREWSHIRE COUNCILCABINET15 March 2018Report by Deputy Chief ExecutiveWRITE-OFF OF IRRECOVERABLE 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, totalling up to £739,016.03 without prejudice to subsequent recovery procedure:
    - Council tax arrears totalling up to £198,040.53
    - Non-Domestic Rates totalling up to £233,567.63
    - Sundry debt income totalling up to £185,230.23
    - Housing Benefit Overpayments totalling up to £122,177.64.
  - (b) notes that Water and Sewerage charges totalling up to £79,716.18 are also being written off in discussion with Scottish Water.

**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. This is an annual process and in all cases these sums can be met from existing planned bad debt provision.

4. East Renfrewshire 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	68	16198.53	6520.31
Sequestrated	390	179300.18	72172.72
Gone Away	6	645.02	259.64
Small Balances	673	1896.80	763.51
 TOTAL	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> 1137	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> 198040.53	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> 79716.18

7. The comparative write-off which the Cabinet approved last year at this time was Council tax of £173,305.94 and Water and Sewerage charges of £65,079.12

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

9. In the period since 1 April 1996 over £1,050m of Council Tax and Water charges have been collected. The sum to be written-off represents around 0.4% of the sum 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 2016/17.

**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

11. A recent trawl of Non-Domestic Rates accounts shows by reason of write off:

	Number of Businesses	Amount
		£
Liquidated/sequestrated	13	73933.16
Ceased trading / dissolved	15	159634.47
 TOTAL	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> 28	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> 233567.63

12. The amount included for write off is higher than last year, 2016/17 (£52,593.30). This is as a result of the way Renfrewshire Council has been reporting write-offs to us under our shared services agreement. This has resulted in a level of underreporting which is now being reconciled. There may be requirement for a further NDR write-off report later in 2018/19 once all details have been worked through by our accountants.

13. Income from non-domestic rates in the current year will exceed £15m and the sum to be written off represents around 1.5% of those collections.

### 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	36,852.51
Small balances uneconomic to pursue	45.43
Debtor bankrupt	<u>148,332.29</u>
	185,230.23

15. The sum being put forward for write off this year includes charges raised during 2011 to a debtor who was subsequently declared bankrupt. The Council has now exhausted all opportunities for recovery. Excluding that case, the sum proposed for write off totals £36,897.94 which is lower than the sum approved for write off at this time last year (£41,383.75). The normal annual income recorded through the sundry debtor's system is £16m and the sum recommended to be written off represents just over 1% of this sum.

### 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 and, in lower value cases, to the addition of an administrative financial penalty.

17. In line with the debt recovery policy, write-off debts associated with Housing Benefit Overpayments will be considered for the following reasons:

	No. of cases	£
Deceased	74	24,214.35
Sequestered	34	41,863.37
Gone away	8	2,806.77
Prescribed*	87	50,729.52
Small value	12	59.43
Council error	6	820.36
Other	<u>7</u>	<u>1683.84</u>
	228	122,177.64

(\*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 2017 at this time was £71,872.93.

19. Performance on Housing Benefit Overpayment recovery has improved between 2016/17 and the year to date. Up to 31 January 2018, 66% of HBOs had been recovered compared with 57% at end year 2016/17.

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. For the Council (i.e. excluding Scottish Water charges), the impact of these proposed write-offs totals up to £739,016.03. This can be met from existing bad debt provision.

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. Our Non-Domestic Rates collection is administered on our behalf by Renfrewshire Council as a shared service.

25. Scottish Water have been involved in detail of the water/sewerage charge write-off proposals.

### **IMPLICATIONS OF THE REPORT**

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

### **RECOMMENDATIONS**

27. It is recommended that the Cabinet:

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- (b) notes that Water and Sewerage charges totalling up to £79,716.18 are also being written off in discussion with Scottish Water.

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## BACKGROUND PAPERS

- Write off of irrecoverable Council tax, Non Domestic rates, Sundry Debt Income and Housing benefit Overpayments, Cabinet 2 March 2017
- Collection of Revenues – Debt Recovery Policy, Cabinet 16 June 2016
- Write-off of Irrecoverable Council Tax, Cabinet 24 March 2016
- Write-off of Irrecoverable Non-Domestic Rates, Cabinet 24 March 2016
- Write-off of Irrecoverable Sundry Debtor Income, Cabinet 24 March 2016

Evidence is also provided by both the Council Tax system and reports from the Sheriff Officers

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