

EAST RENFREWSHIRE COUNCILCABINET4 March 2021Report by Deputy Chief ExecutiveDEBT MANAGEMENT FOR NON DOMESTIC RATES, SUNDRY DEBT INCOME,
HOUSING BENEFIT OVERPAYMENTS AND COUNCIL TAX REDUCTION ADJUSTMENT**PURPOSE OF REPORT**

1. The purpose of this report is to seek approval to write-off as irrecoverable sums associated with Non Domestic rates, Sundry debt income and Housing Benefit overpayments. Approval is also sought for Council Tax Reduction adjustments as a result of the new Council Tax and Benefits system implementation. The debts recommended for write off have previously been included in bad debt provision and the adjustments already accounted for, and therefore the write offs/adjustments have no net impact on the revenue accounts of the council.

RECOMMENDATIONS

2. It is recommended that the Cabinet:
- (a) Approves the write off of the following sums, totalling up to £143,736.05 without prejudice to subsequent recovery procedure:
 - Non Domestic Rates arrears totalling up to £47,419.54
 - Sundry debt income totalling up to £50,473.61
 - Housing Benefit Overpayments totalling up to £45,842.90
 - (b) Approves the Council Tax Reduction adjustments of £23,958 in 2019/20 and £22,666 in 2020/21.
 - (c) Notes that a further paper in relation to Council Tax arrears and historical Non Domestic rates arrears will be presented during 2021/22.
 - (d) Notes that all sums written off/adjusted have been accounted for already.

BACKGROUND

3. Each year the Council sets a level of “bad debt provision” in its accounts at a prudent level to minimise risk to the Council. 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 debt recovery policy lists situations where write-off of debts will be considered.

NON DOMESTIC RATES

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

- Company liquidated (or in Administration)
- Sole trader sequestrated
- Business ceased trading / dissolved
- Small balance, uneconomical to pursue

5. In the year 2020/21, 5 businesses with NDR arrears of £47,419.54 have been identified for write off (2019/20 59 businesses, £159,163.35). This reduction in proposed NDR write off is a reflection of the current Covid environment with debt recovery being suspended for a time during 2020/21 and significant governmental support being provided to businesses. Analysis of these accounts shows reason for write off as follows:

Reasons	Number of businesses	Value (£)
Company liquidated / in Administration	2	£6,237.62
Sole trader Sequestrated	2	£31,917.71
Company Dissolved	1	£9,264.21
Total	5	£47,419.54

Further analysis by year shows:-

Financial Year	Value
2014_15	£1,636.49
2015_16	£4,065.60
2016_17	£1,214.53
2017_18	£4,723.64
2018_19	£14,191.61
2019_20	£21,587.67
Total	£47,419.54

6. The sum to be written-off is around 0.6% of the sum which will be collected in the current year and can be met from existing bad debt provision. East Renfrewshire Council collected 97% of Non-Domestic rates income in the 2019/20 year. The collection of NDR in 2020/21 remains high, but it should be noted that the value billed has reduced significantly as a result of the reliefs introduced by Scottish Government to mitigate the impact of the Covid pandemic on businesses.

SUNDRY DEBT INCOME

7. 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	50,440.46
Small balances uneconomic to pursue	<u>33.15</u>
	50,473.61

8. The sum being put forward for write off this year is lower than the sum approved by Cabinet last year (£69,268.86) and is less than 1% of income expected to be collected in the current year.

HOUSING BENEFIT OVERPAYMENTS

9. 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. This results in a debt being created within ERC systems, which is then subject to collection processes. In most cases the overpayment 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.

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

	No. of cases	£
Deceased	43	5,416.90
Sequestrated	7	4,482.72
Prescribed*	67	35,790.20
Small value	2	8.96
Gone Away	1	78.69
Other	2	65.43
	<u>122</u>	<u>45,842.90</u>

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

11. The comparative HBO write-off which the Cabinet approved in 2020 at this time was £91,821.72.

12. Performance on Housing Benefit Overpayment recovery has improved in recent years. In 2018/19, 89% of overpayments identified in that year had been collected and in 2019/20 performance had increased to 105% for the same indicator. The indicator is a measure of payments collected in year, compared with overpayments created in year, hence it is possible to record a result over 100%. As a result of the ongoing pandemic however, the 2020-21 performance for this indicator across all councils is expected to show a decline.

13. 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).

14. The sum recommended for write off represents around 3% of the total Housing Benefit Overpayment level and can be met from existing bad debt provisions.

COUNCIL TAX REDUCTION

15. The Council implemented its new Council Tax system in December 2020 and will be using this for the first time to produce annual bills in March 2021. The implementation of the new system has gone relatively smoothly to date, despite the challenges of staff and suppliers managing the change remotely as they work from home. As with any system

changeover of a longstanding legacy system, however, some housekeeping issues were identified during data checking. Council Tax Reduction calculations on the new system use a slightly different methodology from the original system, and comparative figures on the old system appear to have produced higher discounts awarded of £23,958 in 2019/20 and £22,666 in 2020/21 when the data was transferred to the new system. System adjustments are required to cleanse the base data prior to annual billing.

FINANCE AND EFFICIENCY

16. The impact of these proposed write-offs/adjustments totals up to £190,360.05. This amount is already accounted for, with provision for bad debts already in place.

17. 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

18. Council departments have been consulted in relation to the Sundry debt write off proposals. Our Non-Domestic Rates collection is administered on our behalf by Renfrewshire Council as a shared service.

IMPLICATIONS OF THE REPORT

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

CONCLUSION

20. 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

21. It is recommended that the Cabinet:

- (a) Approves the write off of the following sums, totalling up to £143,736.05 without prejudice to subsequent recovery procedure:
 - Non Domestic rates arrears totalling up to £47,419.54
 - Sundry debt income totalling up to £50,473.61
 - Housing Benefit Overpayments totalling up to £45,842.90
- (b) Approves the Council Tax Reduction adjustments of £23,958 in 2019/20 and £22,666 in 2020/21.
- (c) Notes that a further paper in relation to Council tax and Non Domestic rates will be presented during 2021/22
- (d) Notes that sums written off have been accounted for already.

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BACKGROUND PAPERS

- Debt Management for Council Tax, Non Domestic rates, Sundry Debt income and Housing benefit Overpayments, Cabinet 6 February 2020
 - Collection of Revenues – Debt Recovery Policy, Cabinet 16 June 2016
- Evidence is also provided by the Non Domestic Rates system and reports from Sheriff Officers

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