

EAST RENFREWSHIRE COUNCILCABINET26 January 2023Report by Director of Business Operations and PartnershipsDEBT 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, Non Domestic rates, Sundry debt income and Housing Benefit overpayments. The debts recommended for write off have previously been included in bad debt provision and therefore the write off has 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 £491,277.58 without prejudice to subsequent recovery procedure:
 - Council Tax arrears totalling up to £221,327.80
 - Non Domestic rates arrears totalling up to £204,460.71
 - Sundry debt income totalling up to £14,214.10
 - Housing Benefit Overpayments totalling up to £51,274.97
 - (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 £74,881.78 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. 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. Legislation governing Council tax recovery provides for the summary warrant process to be the route followed by local authorities and once granted, enforcement action can be taken for a period of up to 20 years. Debts for years 2002/03 are longer able to be pursued via the summary warrant route (or any other legal route). It is therefore recommended these are written off.

6. 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.

An examination of historical records shows the following in relation to Council tax

Year	Debt balances for Council Tax	Credit balances for Council Tax	Net debt proposed for write off
2002/03	£228,512.78	£7,184.98	£221,327.80
Total	£228,512.78	£7,184.98	£221,327.80

An examination of historical records shows the following in relation to water charges

Year	Debt balances for water charges	Credit balances for water charges	Net debt proposed for write off
2002/03	£77,312.67	£2,430.89	£74,881.78
Total	£77,312.67	£2,430.89	£74,881.78

NON DOMESTIC RATES

7. In line with the debt recovery policy, write-off of 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

8. In the year 2022/23, 16 businesses with NDR arrears of £204,460.71 have been identified for write off, 2 of these are very small balances. In 2019/20, 19 businesses had balances written off as a result of insolvency (£158,976.43). In 2020/21 there were 5 businesses who had debts written off for that reason (£47,419.54) and in 2021/22 there were 10 businesses in that category with debt of £124,821.66 written off. The pandemic year was not typical, and no direct comparisons can be drawn as there was significant Government intervention to protect business during that time. Analysis of the accounts identified for write off during 2022/23 shows reason for write off as follows:

Reasons	Number of businesses	Value (£)
Company liquidated / in Administration	3	£74,749.22
Small balance	2	£0.11
Company Dissolved	11	£129,711.38
Total	16	£204,460.71

Further analysis by year shows:-

Financial Year	Value
2014_15	£5,367.47
2015_16	£5,979.60
2016_17	£10,176.72
2017_18	£28,278.10
2018_19	£45,076.99
2019_20	£71,131.74
2020_21	£18,783.51
2021_22	£19,666.58
Total	£204,460.71

9. The sum to be written-off is around 1.4% of the sum which will be collected in the current year and can be met from existing bad debt provision. East Renfrewshire Council collected 96% of Non-Domestic rates income in the 2021/22 year.

SUNDRY DEBT INCOME

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

Reason	Number of invoices	Value
Debtor gone away & trace activity exhausted	62	£13,746.31
Small balance, uneconomical to pursue	96	£467.79
Total	158	£14,214.10

11. The sum being put forward for write off this year is lower than the sum approved by Cabinet last year (£74,471.68). The sum proposed for write off is less than 0.1% of income expected to be collected in the current year and can be met from existing bad debt provision.

HOUSING BENEFIT OVERPAYMENTS

12. 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.

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

Reason	Number of cases	Value
Debtor deceased	17	£6,182.95
Local Authority Error	2	£146.27
Other	2	£362.49
Prescribed*	117	£39,831.39

Sequestered	13	£4,597.56
Small balance, uneconomical to pursue	40	£154.31
Total	191	£51,274.97

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

The comparative HBO write-off which the Cabinet approved in 2022 at this time was £110,637.18. The value in 2021 was £45,842.90.

14. Performance on Housing Benefit Overpayment recovery had shown a year on year improvement in the years immediately before the pandemic. In 2019/20, 105% of overpayments identified in that year had been collected. 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%. Collection performance for this income stream however, in the years from 2020/21 dipped as a result of the pandemic, with recovery action having been on hold for a period of time. Following the pandemic, the change in system used for administering Housing benefits, and Housing benefit overpayments has impacted our recovery process. For 2021/22, 79.22% of overpayments identified in that year had been collected.

15. 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).

16. The sum recommended for write off represents around 6% of the total Housing Benefit Overpayment level and can be met from existing bad debt provisions.

FINANCE AND EFFICIENCY

17. The impact of these proposed write-offs totals up to £491,277.58. This amount is fully provided for within bad debt provision.

18. 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

19. 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

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

CONCLUSION

21. 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

22. It is recommended that the Cabinet:

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 - Sundry debt income totalling up to £14,214.10
 - Housing Benefit Overpayments totalling up to £51,274.97
- (b) Notes that sums written off have been accounted for already.
- (c) notes that Water and Sewerage charges totalling up to £74,881.78 are also being written off in discussion with Scottish Water;

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BACKGROUND PAPERS

- Debt Management for Non Domestic rates, Sundry Debt income, Housing benefit Overpayments and Council Tax reduction adjustment, Cabinet 4 March 2021
- Arrangements for the collection of Council tax and Council tax/Water charge write off, cabinet 5th November 2020
- Write of irrecoverable Non Domestic Rates and arrangements for administration on Non Domestic rates, Cabinet 14th March 2019
- 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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