

EAST RENFREWSHIRE COUNCILCABINET22 February 2024Report by Director of Business Operations and PartnershipsDEBT MANAGEMENT FOR COUNCIL TAX, NON DOMESTIC RATES, SUNDRY DEBT INCOME AND HOUSING BENEFIT OVERPAYMENTS AND EMPTY PROPERTY RELIEF FOR NON DOMESTIC RATES**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. It is also to seek cabinet approval to continue the current policy on empty relief for Non Domestic property.

RECOMMENDATIONS

2. It is recommended that the Cabinet:
- (a) Approves the write off of the following sums, totalling up to £594,510.43 without prejudice to subsequent recovery procedure:
 - Council Tax arrears totalling up to £356,800.39
 - Non Domestic rates arrears totalling up to £129,670.68
 - Sundry debt income totalling up to £37,603.34
 - Housing Benefit Overpayments totalling up to £70,436.02
 - (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 £122,703.32 are also being written off in discussion with Scottish Water
 - (d) Approves the continuation of the current policy for Empty Property relief for Non Domestic Rate properties.

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 2003/04 are no longer able to be pursued via the summary warrant route (or any other legal route). It is therefore recommended these are written off.

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
2003/04	£249,226.21	£10,104.46	£239,121.75
Total	£249,226.21	£10,104.46	£239,121.75

It should be noted that credit balances can arise where there is an overpayment of council tax, or where retrospective changes to council tax charges result in credit balances. Refunds are processed wherever possible, however in some cases it is not possible to trace the customer, resulting in balances remaining on the customer account.

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
2003/04	£83,474.64	£3,384.34	£80,090.30
Total	£83,474.64	£3,384.34	£80,090.30

6. The Debt Recovery policy outlines situations where debts can be considered for write off. These include situations where the:

- Customer has been sequestrated (individual), liquidated or ceased trading (Business);
- Costs to recover outweigh level of debt (£20);

An examination of Council tax records shows the following values of Council tax have been identified for write off due to customer sequestration :-

Year	Value
2004/05	£854.30
2005/06	£1,589.50
2006/07	£3,475.82
2007/08	£2,376.84
2008/09	£3,754.06
2009/10	£4,677.80
2010/11	£3,760.28
2011/12	£4,351.16
2012/13	£5,756.17
2013/14	£6,903.76
2014/15	£8,324.13
2015/16	£10,572.42
2016/17	£9,811.12
2017/18	£11,248.43

2018/19	£12,184.70
2019/20	£13,315.47
2020/21	£11,175.47
2021/22	£4,348.02
2022/23	£373.01
Total	£118,852.49

An examination of Council tax records shows the following values for Water charges have been identified for write off due to customer sequestration.

Year	Value
2004/05	£304.70
2005/06	£555.86
2006/07	£1189.08
2007/08	£822.03
2008/09	£1,346.57
2009/10	£1,739.82
2010/11	£1,402.11
2011/12	£1,619.97
2012/13	£2,140.90
2013/14	£2,633.14
2014/15	£3,211.53
2015/16	£4,125.79
2016/17	£3,872.45
2017/18	£3,995.41
2018/19	£4,256.67
2019/20	£4,574.46
2020/21	£3,709.28
2021/22	£1,464.06
2022/23	£126.34
Total	£43,090.14

An examination of Council tax records shows the following values have been identified for write off due to the small balance, being under £20.

Year	Debt balances for Council Tax	Credit balances for Council Tax	Net debt proposed for write off
2004/05	£331.06	£132.10	£198.96
2005/06	£263.63	£58.95	£204.67
2006/07	£53.90	£26.28	£27.62
2007/08	£51.42	£44.24	£7.18
2008/09	£43.05	£159.26	-£116.21
2009/10	£59.12	£227.93	-£168.81
2010/11	£73.11	£280.29	-£207.18
2011/12	£38.16	£264.93	-£226.76
2012/13	£108.54	£184.89	-£76.34
2013/14	£57.91	£274.40	-£216.49
2014/15	£88.29	£377.76	-£289.46
2015/16	£69.12	£380.60	-£311.47
2016/17	£80.81	£352.05	-£271.25
2017/18	£111.32	£292.42	-£181.10
2018/19	£180.70	£319.03	-£138.33
2019/20	£637.84	£689.55	-£51.71

6

2020/21	£697.26	£407.98	£289.28
2021/22	£763.79	£1,000.78	-£236.99
2022/23	£921.95	£331.40	£590.55
Total	£4,630.98	£5,804.83	-£1,173.85

An examination of Council tax records shows the following values for water charges have been identified for write off due to the small balance, being under £20.

Year	Debt balances for Water charges	Credit balances for Water charges	Net debt proposed for write off
2004/05	£118.08	£47.12	£70.96
2005/06	£92.19	£20.62	£71.58
2006/07	£18.44	£8.99	£9.45
2007/08	£17.78	£15.30	£2.24
2008/09	£15.44	£57.12	-£41.68
2009/10	£21.99	£84.78	-£62.79
2010/11	£27.26	£104.51	-£77.25
2011/12	£14.21	£98.63	-£84.43
2012/13	£40.37	£68.76	-£28.40
2013/14	£22.09	£104.66	-82.57
2014/15	£34.07	£145.74	-£111.68
2015/16	£26.98	£148.52	-121.55
2016/17	£31.89	£138.96	-£107.06
2017/18	£39.54	£103.86	-£64.32
2018/19	£63.12	£111.45	-£48.33
2019/20	£219.12	£236.89	-£17.77
2020/21	£231.43	£135.41	£96.02
2021/22	£257.18	£333.98	-£79.80
2022/23	£312.25	£112,24	£200.01
Total	£1,603.44	£2,0580.56	-£477.12

7. The sum proposed to be written-off by East Renfrewshire Council for Council Tax is £356,800.39, which as highlighted above, represents debts older than 20 years, debts due to sequestration and debts under £20. This will be met from the existing bad debt provision. The 2022/23 write off value was £221,327.80, which is lower than 2023/24 as it did not include sequestration or debts under £20. Debt collection levels for Council Tax were 97.55% in 2022/23, which is in the top quartile of performance in Scotland.

8. Currently the service's Debt Recovery Policy makes provision for write-off of Council Tax debts under £20. This varies from policy to policy across the Council and it may be efficient to raise the level above £20 for Council Tax debt in future. The service will investigate options and impact and bring a recommendation in next year's Debt Management report to Cabinet.

NON DOMESTIC RATES

9. 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

10. In the year 2023/24, 5 businesses with NDR arrears of £129,670.68 have been identified for write off. This compares to 16 businesses with debts identified for write off in 2022/23 (value £204,460.71). Analysis of the accounts identified for write off during 2023/24 shows reason for write off as follows:

Reasons	Number of businesses	Value (£)
Company Dissolved	5	£129,670.68
Total	5	£129,670.68

Further analysis by year shows:-

Financial Year	Value
2005-06	£2,188.74
2006-07	£3,103.44
2012-13	£3,165.94
2018-19	£5,265.54
2019-20	£10,797.67
2020-21	£33,941.66
2021-22	£36,517.80
2022-23	£33,237.33
2023-24	£1,452.56
Total	£129,670.68

11. The sum to be written-off is less than 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 96% of Non-Domestic rates income in the 2022/23 year.

12. From 1st April 2023, Empty property relief was devolved from Scottish Government to Local authorities and cabinet agreed East Renfrewshire policy for the 2023-24 year when it met in March 2023. The policy retained the same levels of relief and periods of relief as had been allowable in terms of national legislation which had been in place until 31st March 2023. It was recognised at that time, that any changes to the reliefs would require engagement, prior to a change being made and that the listed buildings relief would be reviewed first.

13. Following a review of the listed buildings relief, it was identified that any change to this relief would mostly impact one business. Through engagement by Economic Development Team with the business, it was confirmed that a change to this relief may have an adverse impact to the local area, and it would not be prudent to make any changes at this time. Therefore, no changes are proposed to the current policy for 2024-25 and cabinet are asked to approve the continuation the current policy for the coming year.

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:

Reason	Number of invoices	Value
Debtor gone away & trace activity exhausted	60	£25,442.13
Sheriff Officer advises recovery exhausted	27	£11,856.56
Small balance, uneconomical to pursue	46	£304.65
Total	133	£37,603.34

15. The sum being put forward for write off this year is higher than the sum approved by Cabinet last year (£14,214.10) but lower than the sum approved in 2021/22 (£74,471.68). The sum proposed for write off is less than 0.2% of income expected to be collected in the current year and can be met from existing bad debt provision.

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. 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.

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

Reason	Number of cases	Value
Debtor deceased	16	£4,501.24
Local Authority Error	5	£8,841.65
Other	3	£255.00
Prescribed*	103	£51,800.89
Sequestrated	4	£4,934.59
Small balance, uneconomical to pursue	5	£17.29
Gone Away	1	£85.36
Total	137	£70,436.02

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

The comparative HBO write-off which the Cabinet approved in 2023 at this time was £51,274.97. The value in 2022 was £110,637.18.

18. 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).

19. The sum recommended for write off represents around 9% of the total Housing Benefit Overpayment level and can be met from existing bad debt provisions.

FINANCE AND EFFICIENCY

20. The impact of these proposed write-offs totals up to £594,510.43. This amount is fully provided for within bad debt provision.

21. 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

22. 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. Renfrewshire have been involved in both the write off proposals and the empty property relief policy.

IMPLICATIONS OF THE REPORT

23. There are no implications in relation to IT, UK Subsidy Control, legal, property, equality or sustainability.

CONCLUSION

24. 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

25. It is recommended that the Cabinet:

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- (b) Notes that sums written off have been accounted for already.
- (c) Notes that Water and Sewerage charges totalling up to £122,703.32 are also being written off in discussion with Scottish Water;
- (d) Approves the continuation of the current policy for Empty Property relief for Non Domestic Rate properties.

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BACKGROUND PAPERS

- Debt Management for Council Tax, Non Domestic rates, Sundry Debt income, Housing benefit Overpayments and Council Tax reduction adjustment, Cabinet 26th Jan 2023
- Debt Recovery Policy, Cabinet 23rd March 2023
- Non Domestic Rates – Empty Property Relief, Cabinet 23rd March 2023

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