

EAST RENFREWSHIRE COUNCILCABINET14 March 2019Report by Deputy Chief ExecutiveDEBT MANAGEMENT FOR COUNCIL TAX; 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; 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 £352,890.57 without prejudice to subsequent recovery procedure:
    - Council tax arrears totalling up to £218,584.00
    - Sundry debt income totalling up to £43,567.03
    - Housing Benefit Overpayments totalling up to £90,739.54
  - (b) notes that Water and Sewerage charges totalling up to £72,163.54 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 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.

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. 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	47	13,585.60	4485.17
Sequestrated	495	196,047.24	64,723.23
Gone Away	7	6915.56	2283.11
Small Balances	442	2035.60	672.03
<b>TOTAL</b>	<b>991</b>	<b>218,584.00</b>	<b>72163.54</b>

7. The comparative write-off which the Cabinet approved last year at this time was Council tax of £198,040.53 and Water and Sewerage charges of £79,716.18

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

9. 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 5<sup>th</sup> in Scotland for Council Tax collected in 2017/18.

### 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:

	£
Sheriff Officer Reports Low likelihood of recovery	43,274.25
Small balances uneconomic to pursue	292.78
	<u>43,567.03</u>

11. The sum being put forward for write off this year is significantly lower than the sum approved by Cabinet last year (£185,230.23); this is due to one debtor last year, with a large balance (£148,332.29) who had been made bankrupt. The sum approved for write off in 2016/17 was however £41,383.75, which is more in line with this year's sum. The sum proposed for write off represents around 0.5% of the value of debtor accounts expected to be raised in the current year.

### 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. 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.

13. 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	47	7,485.42
Sequestered	40	71,109.23
Gone away	1	15.00
Prescribed*	41	11,897.20
Small value	1	0.53
Council error	2	33.65
Other	1	198.51
	<u>133</u>	<u>90,739.54</u>

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

14. The comparative HBO write-off which the Cabinet approved in 2018 at this time was £122,177.64.

15. Performance on Housing Benefit Overpayment recovery has improved in recent years. In 2016/17, 57% of overpayments identified in that year had been collected. In 2017/18, performance for the same indicator increased to 71% and we have continued to see further improvement into 2018/19.

16. 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).

17. 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

18. For the Council (i.e. excluding Scottish Water charges), the impact of these proposed write-offs totals up to £352,890.57. This amount is fully provided for within bad debt provision.

19. 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

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

## IMPLICATIONS OF THE REPORT

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

## CONCLUSION

22. 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

23. It is recommended that the Cabinet:

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  - Sundry debt income totalling up to £43,567.03
  - Housing Benefit Overpayments totalling up to £90,739.54.
- (b) Notes that Water and Sewerage charges totalling up to £72,163.54 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 15 March 2018
- Collection of Revenues – Debt Recovery Policy, Cabinet 16 June 2016

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