

EAST RENFREWSHIRE COUNCILCABINET2 March 2017Report 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 £339,155.92 without prejudice to subsequent recovery procedure:
 - Council tax arrears totalling up to £173,305.94
 - Non-Domestic Rates totalling up to £52,593.30
 - Sundry debt income totalling up to £41,383.75
 - Housing Benefit Overpayments totalling up to £71,872.93.
 - (b) notes that Water and Sewerage charges totalling up to £65,079.12 are also being written off in discussion with Scottish Water.

BACKGROUND

3. The Council debt recovery policy lists situations where write-off 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 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.

REPORT**COUNCIL TAX & WATER CHARGES**

5. In line with the debt recovery policy, write-off 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	56	14991.37	5629.50
Sequestrated	384	149512.06	56144.14
Gone Away	6	1580.33	593.44
Small Balances	778	7222.18	2712.04
TOTAL	1224	173305.94	65079.12

7. The comparative write-off which the Cabinet approved last year at this time was Council tax of £196,898.12 and Water and Sewerage charges of £63,221.13.

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 £979m 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.

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

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

	Number of Businesses	Amount
		£
Liquidated/sequestrated	2	40927.45
Ceased trading	1	11665.85
TOTAL	3	52593.30

12. A further summary of Non-Domestic Rates by age of debt to be written-off shows:

	£
2012/13	10,927.35
2013/14	6217.2
2014/15	22852.92
2015/16	12595.83
	52,593.30

13. The amount included for write off is higher than sums approved for write off during 2015/16 (£39,573.97) but is significantly lower than sums written off during 2014/15 (£171,271.84) and in 2013/14 (£199,921.19).

14. Income from non-domestic rates in the current year will exceed £14m and the sum to be written off represents 0.4% of those collections.

SUNDRY DEBT INCOME

15. 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	41,319.33
Small balances uneconomic to pursue	64.42
	41,383.75

16. The normal annual income recorded through the sundry debtor’s system is £16m and the sum recommended to be written off represents around 0.2% of this sum. Last year the Cabinet approved write offs totalling £143,635.68. There had been a significant number of prescribed Housing debts included in that total. The approved write off level in March 2015 was £54,362.40 and in March 2014 was £96,893.46. The value for 2016/17 is lower than in recent years and is in line with expected levels of irrecoverable debt.

HOUSING BENEFIT OVERPAYMENTS

17. 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 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.

18. 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	80	27,185.56
Sequestered	13	13,700.90
Gone away	6	2,303.06
Prescribed	71	22,117.98
Small value	22	72.12
LA error	20	4,385.39
Other	3	2,107.92
	<u>215</u>	<u>71,872.93</u>

19. The comparative HBO write-off which the Cabinet approved in 2015 at this time was £122,110.03.

20. In 2015/16 Housing Benefit Overpayments totalled £442,902 of which £224,238 (51%) was collected in 2015/16 for all outstanding overpayments. Up to 31 December 2016, the value of overpayments in 2016/17 was £275,366 of which £163,031 (59%) was collected for all outstanding overpayments.

21. 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).

22. The sum recommended for write off represents around 4.6% of the total Housing Benefit Overpayment level and can be met from existing bad debt provisions.

FINANCE AND EFFICIENCY

23. For the Council (i.e. excluding Scottish Water charges), the impact of these proposed write-offs totals up to £339,155.92. This can be met from existing bad debt provision.

24. 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

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

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

IMPLICATIONS OF THE REPORT

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

RECOMMENDATIONS

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BACKGROUND PAPERS

- 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
- Write-off of Irrecoverable Housing Benefit Overpayments, Cabinet 19 February 2015
- Housing Benefit Overpayments, Cabinet 13 February 2015

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

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