

EAST RENFREWSHIRE COUNCILCABINET5 November 2020Report by Deputy Chief ExecutiveARRANGEMENTS FOR THE COLLECTION OF COUNCIL TAX AND COUNCIL TAX  
/WATER CHARGE WRITE-OFF**PURPOSE OF REPORT**

1. The purpose of this report is to advise Cabinet of new arrangements for Council Tax collection and to seek approval to write-off as irrecoverable historical sums associated with Council Tax and Water Charges.

**RECOMMENDATIONS**

2. It is recommended that the Cabinet:
- (a) Notes that a new software system will be implemented for the billing and collection of Council tax and for administering Housing benefits and Council tax reduction;
  - (b) Approves the write off of Council tax arrears totalling up to £949,077.59;
  - (c) Notes that the write-off of these sums will have no net impact on the Council's accounts or financial planning as provision has been made for the debt, in full, in previous years and these debts are now over 20 years old;
  - (d) Notes that Water and Sewerage charges totalling up to £193,410.38 are also being written off in discussion with Scottish Water;
  - (e) Notes that a data cleansing exercise on historical data is underway; and
  - (f) Approves the write on of historical credit balances without prejudice to future refunds.

**BACKGROUND**

3. Council Tax was introduced on 1<sup>st</sup> April 1993 as the mechanism for local authorities to bill and collect local taxes for domestic properties. The billing exercise carried out for the current financial year (2020-21) represented the 28th consecutive year of Council tax billing.

4. 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 the first 7 years of Council tax (1993/94 to 1999/2000 inclusive) are no longer able to be pursued via the summary warrant route (or any other legal route). The debts are deemed to be prescribed\*, and it

is therefore recommended these are written off. (*\*prescribed debt is debt that has been legally extinguished due to the time lapsed.*)

5. The Council's 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.

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.

### **COUNCIL TAX AND BENEFITS SOFTWARE SYSTEM CHANGE**

7. The Council has used the 'Orbis' product for billing and collection of Council Tax and for the administering of Housing benefits and Council Tax benefits / reductions since April 1998, and is in the process of replacing this system with a modern, fit for purpose solution which will provide residents with a much improved digital experience.

8. As part of implementing the new system, data cleansing activity is underway. The current system contains all data relating back to April 1993 and the service do not wish to transfer 28 years' worth of data to the new system:- 1. It is clear the historic debts (prior to 2000/01) cannot be pursued and 2. It is not permitted in terms of data protection regulations to retain data which is deemed unnecessary.

9. Debts accrued for the years 1993-94 to 1995-96 were transferred to East Renfrewshire Council at its inception, having previously been the responsibility of the disbanded Strathclyde Regional Council. Charges (and any subsequent debt) for the years 1996-97 & 1997-98 were raised on the ex-Strathclyde Regional Council system and a data migration exercise from that system to the Orbis system took place in advance of the 1998/99 financial year.

10. Current data cleansing activity has identified that as well as historical debt there are also some historical credit balances which we are seeking approval to write on without prejudice to future refunds should new information become available.

### **COUNCIL TAX & WATER CHARGES**

11. 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
1993-94	£89,391.63	(£399.96)	£88,991.67
1994-95	£84,647.17	(£701.95)	£83,945.22
1995-96	£98,766.69	(£806.27)	£97,960.42
1996-97	£143,772.55	(£1,153.86)	£142,618.70
1997-98	£188,305.30	(£755.42)	£187,549.88
1998-99	£174,937	(£1,429.75)	£173,507.25
1999-00	£174,919.58	(£415.12)	£174,504.46
Total	£954,739.91	(£5,662.32)	£949,077.59

12. Examination of historical records shows the following in relation to water and sewerage charges

Year	Debt Balances for water charges	Credit balances for water charges	Net debt proposed for write off
1993-94	£15,774.99	(£70.58)	£15,704.41
1994-95	£14,937.74	(£123.87)	£14,813.86
1995-96	£17,429.42	(£142.28)	£17,287.13
1996-97	£23,794.53	(£190.96)	£23,603.56
1997-98	£35,601.12	(£142.82)	£35,458.30
1998-99	£40,768.30	(£333.20)	£40,435.10
1999-00	£46,217.69	(£109.68)	£46,108.01
Total	£194,523.78	(£1,113.78)	£193,410.38

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

14. In the period since 1<sup>st</sup> April 1996 over £900 million of Council Tax charges have been collected. The sum to be written-off represents 0.1% of the sums collected and can be met from existing bad debt provision.

## FINANCE AND EFFICIENCY

15. The impact of these proposed write-offs is fully provided for within bad debt provision within the Council (i.e. excluding Scottish Water charges) and does not affect the Council's forward financial planning

16. Every effort is made to recover these sums and the decision to seek write-off is not taken lightly or without due cause. As the debt is for years more than 20 years old, there is no longer any legal route available to pursue these sums.

17. Should any new information become available with regards to the historical credits, steps can be taken to reverse the 'write on' and provide the customer with a refund.

## CONSULTATION AND PARTNERSHIP WORKING

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

## IMPLICATIONS OF THE REPORT

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

## CONCLUSION

20. It is good practice to remove historical, irrecoverable Debt from Council systems and ideally, this should be done in advance of moving onto a new software system.

There is accountancy provision for such write-offs and as such they do not affect the Council's overall finances or financial planning.

## RECOMMENDATIONS

21. It is recommended that the Cabinet:
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  - (b) Approves the write off of Council tax arrears totalling up to £949,077.59;
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  - (f) Approves the write on of historical credit balances without prejudice to future refunds.

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## BACKGROUND PAPERS

Debt management for Council Tax, Non Domestic rates, Sundry debt income and Housing benefit Overpayments, Cabinet 6<sup>th</sup> February 2020  
Debt Management for Council Tax, Sundry Debt income and Housing Benefit Overpayments, Cabinet 14 March 2019  
Collection of Revenues – Debt Recovery Policy, Cabinet 16 June 2016

Evidence is also provided by the Council Tax system.