

EAST RENFREWSHIRE COUNCIL

CABINET

6 February 2025

Report by Director of Business Operations and Partnerships

DEBT MANAGEMENT FOR COUNCIL TAX, NON DOMESTIC RATES, SUNDRY DEBT INCOME, HOUSING BENEFIT OVERPAYMENTS AND EMPTY PROPERTY RELIEF, 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 £502,716.11 without prejudice to subsequent recovery procedure:
  - Council Tax arrears totalling up to £318,624.97
  - Non Domestic rates arrears totalling up to £90,800.96
  - Sundry debt income totalling up to £69,614.79
  - Housing Benefit Overpayments totalling up to £23,675.39
- (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 £113,372.07 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 until March 2028.

**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 followed by local authorities and once granted, enforcement action can be taken for a period of up to 20 years. Given their age, debts for years 2004/05 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
2004/05	£266,357.01	£6,088.39	£260,268.62
Total	£266,357.01	£6,088.39	£260,268.62

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
2004/05	£94,451.31	£1,621.81	£92,829.50
Total	£94,451.31	£1,621.81	£92,829.50

6. The Debt Recovery policy outlines situations where debts can be considered for write off. These include situations where the customer has been sequestered (individual), liquidated or ceased trading (Business).

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
2006/07	£133.45
2007/08	£81.44
2008/09	£1209.99
2009/10	£268.57
2010/11	£229.45
2011/12	£433.94
2012/13	£620.16
2013/14	£1,046.14
2014/15	£1,450.02
2015/16	£1,177.68
2016/17	£4,823.65
2017/18	£6,618.12
2018/19	£9,825.90
2019/20	£14,791.00

2020/21	£3,175.91
2021/22	£5,420.73
2022/23	£4,134.95
2023/24	£2,367.01
2024/25	£548.24
Total	£58,356.35

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
2006/07	£45.66
2007/08	£28.16
2008/09	£434.12
2009/10	£99.91
2010/11	£85.56
2011/12	£161.59
2012/13	£230.69
2013/14	£399.00
2014/15	£559.44
2015/16	£459.59
2016/17	£1,904.32
2017/18	£2,351.44
2018/19	£3,431.81
2019/20	£5,080.45
2020/21	£1,054.26
2021/22	£1,824.77
2022/23	£1,400.11
2023/24	£792.13
2024/25	£199.56
Total	£20,542.57

7. The sum proposed to be written-off by East Renfrewshire Council for Council Tax is £318,624.97 which, as highlighted above, represents debts older than 20 years and debts due to bankruptcy (sequestration). This will be met from the existing bad debt provision. The 2023/24 write off value was £356,800.39. Debt collection levels for Council Tax were 97.55% in 2023/24, which is in the top quartile of performance in Scotland.

## NON DOMESTIC RATES

8. 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

9. In the year 2024/25, 12 businesses with NDR arrears of £90,800.96 have been identified for write off. This compares to 5 businesses with debts identified for write off in 2023/24 (value £129,670.68). Analysis of the accounts identified for write off during 2024/25 shows reason for write off as follows:

Reasons	Number of businesses	Value (£)
Company Dissolved	9	£41,351.57
Company liquidated	2	£26,767.76
Other	1	£22,681.63
Total	12	£90,800.96

Further analysis by year shows:-

Financial Year	Value
2008/09	£608.64
2009/10	£1375.66
2010/11	£973.74
2011/12	£1,839.77
2012/13	£4,756.62
2013/14	£4,654.37
2014/15	£4,521.60
2015/16	£4,608.00
2016/17	£4,107.52
2018/19	£11,703.37
2019/20	£13,029.07
2020/21	£145.66
2021/22	£9,876.85
2022/23	£23,726.45
2023/24	£4,873.64
Total	£90,800.96

10. The sum to be written-off is around 0.5% of the sum which will be collected in the current year and can be met from existing bad debt provision. East Renfrewshire Council collected 95% of Non-Domestic rates income in the 2023/24 year. At the end of November 2024, data showed that the 2023/24 collection had increased to 97.1%. In the years since the pandemic, economic conditions have been challenging for businesses. The Scottish Government plan to introduce some new reliefs for the 2025/26 year in recognition of the difficulties being experienced in some sectors. Revenues Services continue to liaise closely with colleagues at Renfrewshire to ensure collections are maximised within this shared service arrangement.

11. 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. Following a review of the listed buildings relief in 2024, it was identified that any change to this relief would mostly impact one business. Through engagement by the 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 were proposed to the policy for 2024/25 and Cabinet approved the continuation of the current policy. Cabinet are asked again to approve that the current policy continues for 2025/26 and it is recommended that this continues for the following 2 financial years (2026/27 & 2027/28). If any material changes take place, this will be reviewed and an amended policy brought before Cabinet for approval.

## SUNDRY DEBT INCOME

12. 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	65	£10,901.19
Sheriff Officer advises recovery exhausted	188	£58,057.27
Exceptional circumstances	2	£184.00
Small balance, uneconomical to pursue	130	£472.33
Total	385	£69,614.79

13. The sum being put forward for write off this year is higher than the value approved by Cabinet last year (£37,603.34), due to more debt exhausted by Sheriff Officers. However, the sum proposed for write off remains less than 0.4% of income expected to be collected in the current year and can be met from existing bad debt provision.

## HOUSING BENEFIT OVERPAYMENTS

14. 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 for Work and Pension's Fraud and Error Service (FES). Depending on the outcome of the FES investigation, they may seek to prosecute that claimant or impose a financial penalty, known as an administrative penalty.

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

Reason	Number of cases	Value
Debtor deceased	46	£10,094.91
Local Authority Error	3	£1,729.82
Other	3	£184.77
Prescribed*	27	£9,854.38
Sequestrated	2	£1,760.12
Small balance, uneconomical to pursue	8	£51.39
Total	89	£23,675.39

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

The comparative HBO write-off which the Cabinet approved in 2024 at this time was £70,436.02.

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 Revenues Team or direct deductions via the Department for Work and Pensions (DWP).

17. The sum recommended for write off is less than 4% of the total Housing Benefit Overpayment level and can be met from existing bad debt provisions.

## **FINANCE AND EFFICIENCY**

18. The impact of these proposed write-offs totals up to £502,716.11. 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. 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**

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 £69,614.79
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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 £113,372.07 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 until March 2028.

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## **BACKGROUND PAPERS**

- Debt Management for Council Tax, Non Domestic rates, Sundry Debt income, Housing benefit Overpayments and empty Property Relief, Non Domestic Rates, Cabinet 22<sup>nd</sup> February 2024
- Debt Recovery Policy, Cabinet 23<sup>rd</sup> March 2023
- Non Domestic Rates – Empty Property Policy, Cabinet 23<sup>rd</sup> March 2023
- Debt Management for Council Tax, Non Domestic rates, Sundry Debt income, Housing benefit Overpayments and Council Tax reduction adjustment, Cabinet 26<sup>th</sup> Jan 2023

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