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**WRITE OFF OF FORMER HOUSING TENANT ARREARS, HOUSING BENEFIT  
OVERPAYMENTS, NON-DOMESTIC RATES AND COUNCIL TAX**

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**Responsible Cabinet Members –  
Councillor Veronica Copeland, Adult Social Care and Housing Portfolio and  
Councillor Steve Harker, Efficiency and Resources Portfolio**

**Responsible Director – Murray Rose, Director of People**

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**SUMMARY REPORT**

**Purpose of the Report**

1. This report gives an update on the current position on former tenant arrears, Housing and Council Tax Benefit overpayments, Non-Domestic Rates and Council Tax, and seeks approval to write off debts of £824,946.

**Summary**

2. Approval is being sought to write off the following debts:
  - (a) £120,808 of rent arrears from the housing debit which represents 82 cases of former tenant arrears where arrears exceed £500, for the financial year 2010/11. This sum represents 0.61% of the annual rent debit total of £19,762,484. As at 1st April 2011, a total of £86,052 has been received in income from former tenants towards arrears.
  - (b) £245,112 of Housing and Council Tax Benefit overpayments in respect of individual cases exceeding £500 for the financial years 2009/10 and 2010/11, where it has become apparent that no further steps can be taken to recover the sums due.
  - (c) £459,026 of Non-Domestic Rates and Council Tax in respect of individual cases exceeding £500 for the financial year 2010/11, where it has become apparent that no further steps can be taken to recover the sums due. Approximately 91% of this sum is Non-Domestic Rates and 9% Council Tax. A schedule of the sums is shown in the main report.

**Recommendation**

3. It is recommended that a total amount of £120,808 of former tenant arrears, £245,112 of Housing and Council Tax Benefits overpayments and £459,026 of Non-Domestic Rates and Council Tax be written off subject to steps for recovery being taken, wherever possible, if and when contact is made.

## Reasons

4. The recommendation is supported as regular arrangements for writing off debts are in accordance with Audit Commission best practice for good financial management.

**Murray Rose**  
**Director of People**

## Background Papers

No background papers were used in the preparation of this report.

Anthony Sandys - Extension 2512

S17 Crime and Disorder	It is not considered that the contents of this report have any such effect.
Health and Well Being	There are no issues relating to health and well-being which this report needs to address
Carbon Impact	There are no carbon impact implications in this report
Diversity	There are no diversity issues
Wards Affected	Not applicable
Groups Affected	Not applicable
Budget and Policy Framework	The issues contained within this report do not represent change to Council budget or the Council's policy framework.
Key Decision	This is not a key decision
Urgent Decision	For the purpose of the 'Call-in' procedure this does not represent an urgent decision.
One Darlington: Perfectly Placed	The report has no particular implications for the Sustainable Community Strategy.
Efficiency	In accordance with Audit Commission guidance effective write off mechanisms also ensure streamlining of processes in terms of financial management and good housekeeping.

## MAIN REPORT

### Information and Analysis

#### Proposed Write-Offs

##### Former Housing Tenant Arrears

5. A summary of former tenant arrears recommended for write off is given in Table 1:-

**Table 1: Proposed Arrears to be Written Off - 2010/11**

Category	No	Value £
Death	5	5,397
No forwarding Address	19	32,333
Statute Barred <sup>(1)</sup>	11	11,707
Miscellaneous	37	47,718
Cases referred for Debt Recovery action and/or legal action but not financially viable to proceed. e.g.: cases where the debtor has no assets or is in receipt of state benefits.	10	23,653
<b>Total</b>	<b>82</b>	<b>120,808</b>

6. Best Practice recommends that applicants who apply for housing with former tenancy debts be considered objectively. The Choice Based Letting policy states that applicants with arrears and outstanding debts will be overlooked initially but can be re-housed in accordance with the criteria detailed in table 2 below.

**Table 2: Re-housing Criteria for Applicants with Debts**

Circumstances	Decision	Action taken by Applicant
Under £500 Arrears/ Not evicted	Overlook for offers	Clear debt in full or maintain repayment schedule for 13 consecutive weeks or more
Over £500 Arrears/Not evicted	Overlook for offers	Clear debt in full or maintain repayment schedule for 26 consecutive weeks or more
Evicted	Make ineligible	Clear debt in full or fresh application can be made after 12 month ineligibility period, providing repayment schedule maintained for 26 consecutive weeks or more
Former Tenants Rechargeable Repairs under £500	Overlook for offer	Repayment schedule must be maintained for 13 consecutive weeks or more
Former Tenants Rechargeable Repairs over £500	Overlook for offers	Repayment schedule must be maintained for 26 consecutive weeks or more

<sup>(1)</sup> Statute barred – Debts outstanding over six years, where it is had not been possible to obtain an acknowledgement to the debt, are statute barred from recovery by sections 5 or 24(1) Limitation Act 1980.

7. Housing Services are working closely with the Debt Recovery Team carrying out pre termination visits and setting in place arrangements to clear any outstanding arrears or debt. Officers are actively involved in a Financial Inclusion Group which involves working alongside our key partners and external agencies offering advice and assistance to all customers.
8. Housing Officers have also provided appropriate training scripting and support to front line staff to assist them in:
  - Triaging calls
  - Providing good quality, relevant advice and support
  - Providing appropriate signposting services
9. Streamline Terminals have been introduced into Customer Services as part of the Corporate Debt Review. This enables Officers to take payment from tenants whilst carrying out home visits, or if they contact the office and wished to make a payment immediately. This facility can be used for both current and former tenant arrears and at present is being monitored to prove its effectiveness.
10. The sum of £14,433 has also been written off under delegated powers for cases where arrears were below £500.

#### Housing and Council Tax Benefit Overpayments

11. Table 3 below is a schedule of Housing and Council Tax Benefit recommended for write-off:

**Table 3 – Proposed Housing Benefit Overpayments to be written off (individual cases exceeding £500).**

<b>2009/2010 and 2010/2011</b>		
<b>Category</b>	<b>Number of debts</b>	<b>Value £</b>
Hardship	4	4,206
Appeal	2	4,806
Official Error	64	96,257
Deceased	6	6,271
No Forwarding Address	27	38,388
Cases referred for debt recovery action and/or legal action but not financially viable to proceed	42	95,184
<b>Total</b>	<b>145</b>	<b>245,112</b>

12. For information, the debts written-off that were under £500 are as follows;  
Housing Benefit - 990 debts totalling £90,933 and Council Tax Benefit - 485 debts totalling £21,988.
13. Historically, Housing Benefit overpayments were written-off in March, for the previous financial year. As we are now reporting on all debt write-offs together, Housing Benefit debts for both 2009/2010 and 2010/2011 are included in this report.

14. Housing and Council Tax benefit is paid to many thousands of claimants and landlords each year through the Housing and Council Tax Benefit Schemes. While every effort is made to minimise overpayments, due to the very nature of the scheme some overpayments will occur.
15. Overpayments can be caused by a failure of the claimant or landlord to report a change of circumstance which may affect the level of entitlement to benefit, incorrect information being supplied, errors being made by the local authority or errors made by the Department for Works and Pensions (DWP) and by Her Majesty's Revenues and Customs (HMRC). Depending upon how the overpayment occurs will determine whether or not it can be recovered or must be written off as irrecoverable. In respect of recoverable overpayments, these may be recovered by raising an invoice, deduction from ongoing benefit entitlement, recovery from the landlord's scheduled payment or by deduction from certain social security benefits payable to the claimant in certain circumstances. In respect of invoiced debts, during the course of recovery procedures, it may be found that an individual cannot be located, has been made bankrupt, or an appeal has been successful. Where appropriate, the Benefits Section will make every attempt to trace individuals by enquires through other departments of the Council, and if necessary via tracing agencies and the Council's bailiffs. Only when all avenues of recovery have been exhausted, will the overpayment be considered for write off.
16. Table 4 provides details of the total amounts of Housing Benefit written off over £500 when compared to the total of Housing Benefit paid and overpayments generated, and table 5 shows details of Council Tax Benefit written off over £500 when compared to the total of Council Tax Benefit paid and overpayments generated.

**Table 4: Housing Benefit paid compared to Housing Benefit overpaid 2010/11**

<b>Total Housing Benefit Paid</b>	<b>Total Overpayments created</b>	<b>Total overpayments written off</b>	<b>Write offs as a % of total benefits paid</b>	<b>Write offs as a % of overpayments created</b>
£33,788,433	£784,732	£114,053	0.34%	14.53%

**Table 5: Council Tax Benefit paid compared to Council Tax Benefit overpaid 2010/11**

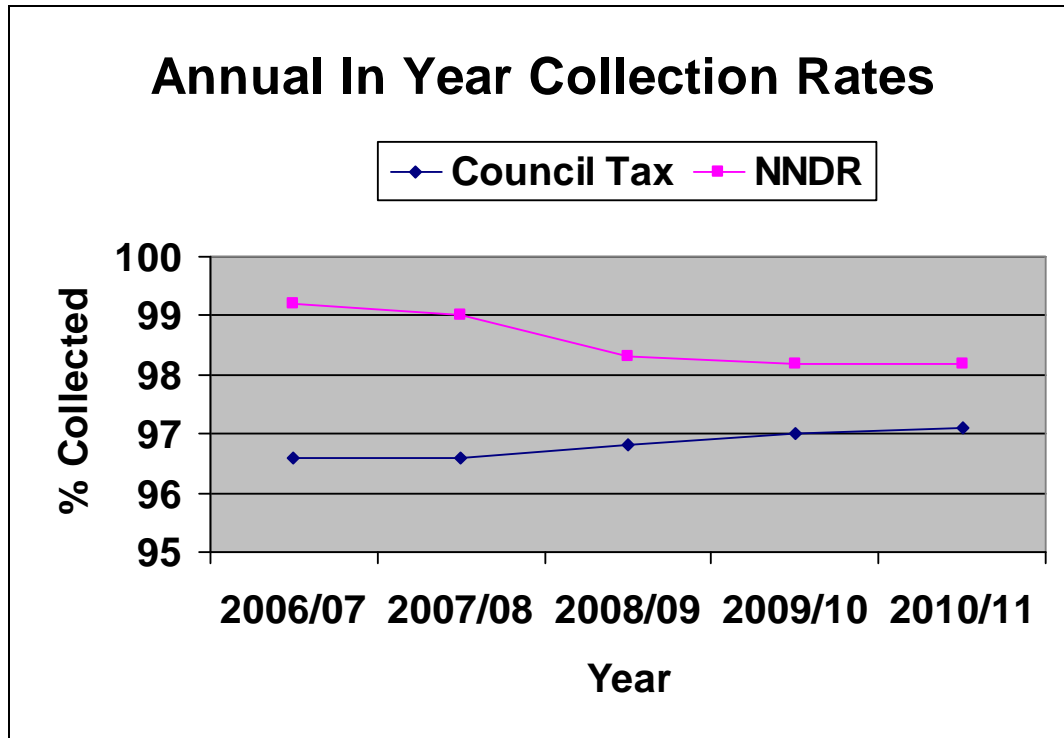
<b>Total Council Tax Benefit Paid</b>	<b>Total Overpayments created</b>	<b>Total overpayments written off</b>	<b>Write offs as a % of total benefits paid</b>	<b>Write offs as a % of overpayments created</b>
£8,599,239	£261,523	£14,945	0.17%	5.7%

#### Non-Domestic Rates and Council Tax

17. In 2010/11 the Council collected 97.1% of Council Tax due in that year against a target of 97.1%. In addition, £0.388m of Council Tax arrears from previous years was collected, giving an overall collection rate of 98.6%. For comparison purposes, the corresponding figures for the previous year were; 97.0% collected within the year, £0.407m of previous years arrears and a 98.5% overall collection rate. In year collection of Non-Domestic Rates was 98.2% during 2010/11 (98.2% in 2009-10), against a target of 98.8%. The Council has

been able to maintain high levels of success in collecting both Council Tax and Non-Domestic Rates during this financially challenging year.

18. The following chart shows the in-year collection rates for Council Tax and Non-Domestic Rates over the last five years. In-year collection levels (formerly BVI9 for Council Tax and BVI10 for Non-Domestic Rates) are still collected annually from all billing authorities by the Government and published in June of each year.



19. Approximately 75% of Council Tax and Non-Domestic Rates accounts are paid following receipt of the bill without any recovery action having to be taken. Reminders and recovery action significantly increases the amount of Council Tax and Non-Domestic Rates that are collected. Before a debt is considered irrecoverable and recommended for write off the following recovery procedures are applied: -
- (a) During the course of billing and recovery procedures it may become apparent that an individual has absconded or been declared bankrupt, or in the case of a company that it has ceased trading and winding-up procedures commenced. In these circumstances the Revenues and Benefits service will try to find absconders or submit claims to receivers / liquidators. Enquiries are made through other departments and, if appropriate, at the properties concerned. Supplementary procedures involve contacts with solicitors, estate agents, landlords, the Department for Work and Pensions, other Councils, receivers and liquidators.
  - (b) Furthermore, if in the course of the distress process the bailiffs find a debtor has absconded, they will make their own enquiries to trace the person concerned.

20. Table 6 is a schedule of debts recommended for write-off:

**Table 6 – Proposed Non-Domestic Rates and Council Tax to be written off (individual debts exceeding £500) - 2010/11**

<b>Fund</b>	<b>Classification</b>	<b>No. of Debtors</b>	<b>Amounts £ - p</b>
Non-Domestic Rates	Gone away - no trace and otherwise irrecoverable Bankruptcy / Receivership	10	30,890
		101	385,119
		111	416,009
Council Tax	Gone away - no trace and otherwise irrecoverable Bankruptcy / Receivership	13	5,118
		61	37,899
		74	43,017
Totals	Non-Domestic Rates	111	416,009
	Council Tax	74	43,017
		185	459,026

21. Members should be aware that, from the same period and in accordance with Financial Procedure Rule 9(e), the following debts have been authorised for write-off in respect of sums of less than £500, where all practical steps have been taken: -

Council Tax	£48,203
Non-Domestic Rates	£12,278
Summons costs	£27,634

### **Financial Implications**

22. Financial regulations require authorities to make an annual assessment of the extent to which any money owed to the Council is likely to prove irrecoverable and to make adequate provision in their accounts. The financial implications of writing off the proposed former tenants arrears debt of £120,805 has therefore, already been taken into account in the Housing Revenue Account.

23. Financial regulations require authorities to make an annual assessment of the extent to which any money owed to the Council is likely to prove irrecoverable and to make adequate provision in their accounts. In respect of Housing Benefit overpayments, the DWP have recognised that in a system as complex as the Housing Benefits/Council Tax Benefit schemes, errors will occur. From 2004/05, the DWP introduced incentives for local authorities to minimise the number of these errors. As a result, local authorities receive subsidy depending on the type of overpayment. Local authority error overpayments are funded at 100% subsidy providing we remain below the error threshold of 0.48% of total

expenditure. For 2010/11 Darlington Borough Council had an error level of 0.34%. All other eligible overpayments due to tenant or landlord error are funded at 40% subsidy most of which are successfully recovered. For 2010/11, 89% of overpayments were classed as claimant or landlord error, with only 11% being local authority error. There will be no financial impact on the Council's current revenue budget as provisions have been made in the previous year.

24. Provision for bad and doubtful Non-Domestic Rates debt is financed through the national pooling arrangements. Provision for bad and doubtful Council Tax debt has already been made in the Council's accounts so that the write-offs as recommended have no additional financial impact on the Council.
25. For comparison purposes, the net amounts of debit raised during 2010/11 (excluding summons costs) for Non-Domestic Rates and Council Tax were £30.979m and £39.726m respectively. The total amounts recommended to be written-off represent 1.34% of Non-Domestic Rates and 0.11% of Council Tax.
26. Despite the economic conditions of the past year, high collection levels have been sustained. Local Tax collection is critically important to provide the Council with a very large part of the resources that it needs to provide essential services to residents and businesses and must, therefore, remain a very high priority.

#### **Outcome of Consultation**

27. No consultation has taken place.