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

**Responsible Cabinet Member – Councillor Stephen Harker,
Efficiency and Resources Portfolio**

Responsible Director – Murray Rose, Director of People

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 irrecoverable debts.

Summary

2. Approval is being sought to write off the following debts:
 - (a) £97,697 of rent arrears from the housing debit which represents 78 cases of former tenant arrears where arrears exceed £500, for the financial year 2011/12. This sum represents 0.65% of the annual rent debit total of almost £2m. As at 1st April 2012, a total of £83,238 has been received in income from former tenants towards arrears.
 - (b) £133,129 of Housing and Council Tax Benefit overpayments in respect of individual cases exceeding £500 for the financial year 2011/12, where it has become apparent that no further steps can be taken to recover the sums due. This sum represents 0.30% of total benefits paid of over £44m per annum.
 - (c) £905,536 of Non-Domestic Rates and Council Tax in respect of individual cases exceeding £500 for the financial year 2011/12, where it has become apparent that no further steps can be taken to recover the sums due. Approximately 52% of this sum is Non-Domestic Rates and 48% Council Tax. For comparison purposes, the net amounts of debit raised during 2011/12 (excluding summons costs) for Non-Domestic Rates and Council Tax were £32.306 million and £39.932 million respectively. The total amounts recommended to be written-off represent 1.47% of Non-Domestic Rates and 1.08% of Council Tax.

Recommendation

3. It is recommended that a total amount of £97,697 of former tenant arrears, £133,129 of Housing and Council Tax Benefits overpayments and £905,536 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.

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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 - 2011/12

Category	No	Value £
Death	3	2,531
No forwarding Address	25	30,072
Statute Barred ⁽¹⁾	13	12,274
Miscellaneous	19	22,775
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.	18	30,045
Total	78	97,697

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

⁽¹⁾ 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 are available in Customer Services. 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.
10. The sum of £11,540 has also been written off under delegated powers for 112 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).

2011/12		
Category	No	Value £
Hardship	3	5,969
Appeal	1	565
Official Error	38	65,444
Death	3	11,715
No Forwarding Address	22	27,959
Cases referred for debt recovery action and/or legal action but not financially viable to proceed	16	21,477
Total	83	133,129

12. For information, the debts written-off that were under £500 are as follows:
 - Housing Benefit - 579 debts totalling £56,197
 - Council Tax Benefit - 313 debts totalling £8,277.
13. 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.

14. 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 Revenues and Benefits Section will make every attempt to trace individuals by enquiries 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.
15. 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 2011/12

Total Housing Benefit Paid	Total Overpayments created	Total overpayments written off	Write offs as a % of total benefits paid	Write offs as a % of overpayments created
£35,583,407	£1,042,453	£121,935	0.34%	11.7%

Table 5: Council Tax Benefit paid compared to Council Tax Benefit overpaid 2011/12

Total Council Tax Benefit Paid	Total Overpayments created	Total overpayments written off	Write offs as a % of total benefits paid	Write offs as a % of overpayments created
£8,632,651	£313,342	£11,195	0.13%	3.6%

16. The total amount of Housing Benefit overpayments recovered in 2011/12 was £745,252.

Non-Domestic Rates and Council Tax

17. In 2011/12 the Council collected 96.4% of Council Tax due in that year. In addition, £0.654 million of Council Tax arrears from previous years was collected. For comparison purposes, the corresponding figures for the previous year were; 97.1% collected within the year and £0.388 million of previous years arrears collected. In year collection of Non-Domestic Rates was 97.2% during 2011/12 (98.2% in 2010/11). The collection of both Council Tax and Non-Domestic Rates continues to be a challenge for the Council during these financially difficult times.

18. Approximately 77% 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 section 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 DWP, other Councils and tracing agents.
 - (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.
19. During 2011/12, the Revenues and Benefits section undertook a full review of all outstanding debts. This approach was supported by a Local Taxation internal audit report in 2011/12, which identified a large pool of outstanding arrears which had been through due process without successful recovery and recommended an exercise to disaggregating the arrears and writing off debts which were considered either too old to collect (prior to 2006), or those where the chance of recovery was minimal.
20. As at March 2011, the total Council Tax arrears (those prior to 2011/12) stood at £4.3 million (a total of 9,895 individual debts). These included £264,000 of debts previously identified for write-off, but not yet written-off and £945,000 of debts where no forwarding address for the debtor was known and no further action was being taken. Two dedicated Recovery Officer posts were created, to undertake this work and some successes have already been achieved in recovering debts previously dormant for some time. However, in accordance with audit recommendations, many of the older outstanding debts have been identified for write-off.
21. The revised position of these debts (those prior to 2011/12), as at March 2012 is £2.4 million (a reduction of £1.9 million) with a total of 5,377 debts still outstanding. Work will continue in 2012/13 to further reduce this figure.
22. In addition, work has also been undertaken to reduce the level of NNDR arrears. As at March 2011, the total NNDR arrears (those prior to 2011/12) stood at £1 million a total of 530 individual debts. The revised position of these debts (those prior to 2011/12), as at March 2012 is £0.4 million (a reduction of £0.6 million) with a total of 216 debts still outstanding.
23. During 2011/12, outstanding credits of Council Tax and NNDR have been examined. Whilst every effort is made to refund credits to liable customers and businesses, they also have to be written back where the customer or business is no longer liable and there is no forwarding address. These credits can be refunded at a later date, if the whereabouts of the customer or business becomes known. During 2011/12 a total of £620,367 Council Tax credits and £252,836 NNDR credits were written back. For illustrative purposes, these amounts are shown against the debts written-off in table 8.

24. 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) - 2011/12

Fund	Classification	No.	Value £
Non-Domestic Rates	Debt over 6 years old	63	115,831
	Bankruptcy / receivership	40	208,931
	Deceased	2	1,930
	No forwarding address	3	4,320
	Other reason - irrecoverable	87	143,123
	Total		195
Council Tax	Debt over 6 years old	146	87,091
	Bankruptcy / receivership	40	29,689
	Deceased	40	16,791
	No forwarding address	43	33,892
	Other reason - irrecoverable	369	263,938
	Total		638
Totals	Non-Domestic Rates	195	474,135
	Council Tax	638	431,401
	Total	833	905,536

25. 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: -

Table 7 – Non-Domestic Rates and Council Tax written off (individual debts less than £500) - 2011/12

Council Tax	£380,728
Non-Domestic Rates	£54,101
Summons Costs	£156,811
Total	£591,640

Table 7 – Summary of Non-Domestic Rates and Council Tax written off and credits written back - 2011/12

Fund	Classification	Value £
NNDR	Debts over £500 written-off	474,135
	Debts under £500 written-off	54,101
	Credits written back	-252,836
	Net	275,400

Council Tax	Debts over £500 written-off	431,401
	Debts under £500 written-off	380,728
	Credits written back	-620,367
	Net	191,762
	Net Total	467,162

Financial Implications

26. 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 £97,697 has therefore, already been taken into account in the Housing Revenue Account.
27. 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 2011/12 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 2011/12, 92.5% of overpayments were classed as claimant or landlord error, with only 7.5% 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.
28. 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.
29. For comparison purposes, the net amounts of debit raised during 2011/12 (excluding summons costs) for Non-Domestic Rates and Council Tax were £32.306 million and £39.932 million respectively. The total amounts recommended to be written-off represent 1.47% of Non-Domestic Rates and 1.08% of Council Tax.
30. Despite the economic conditions of the past year, high collection levels remain. 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

31. No consultation has taken place.