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

**Responsible Cabinet Members –
Councillor Stephen Harker, Efficiency and Resources Portfolio
Councillor Veronica Copeland, Adults and Housing Portfolio**

**Responsible Director - Paul Wildsmith,
Director of Neighbourhood Services and Resources**

SUMMARY REPORT

Purpose of the Report

1. This report gives an update on the current position on former tenant arrears, Housing Benefit overpayments, Non-Domestic Rates and Council Tax, and seeks approval to write-off debts of £1,492,665.

Summary

2. Approval is being sought to write-off £136,678 of former tenant rent arrears in respect of 105 individual cases where arrears exceed £500, for the financial year 2013/14. All reasonable recovery action has been taken and no further economically viable steps can be taken to recover the sums due. This sum represents 0.58% of the annual rent debit of £23,770,992.
3. Approval is also being sought to write-off £123,185 of Housing Benefit overpayments in respect of individual cases exceeding £500 for the financial year 2013/14, where it has become apparent that no further steps can be taken to recover the sums due. This sum represents 0.32% of the total Housing Benefit expenditure for 2013/14 of £38.2 million.
4. Approval is also being sought to write-off £1,232,802 of Non-Domestic Rates and Council Tax in respect of individual cases exceeding £500 for the financial year 2013/14, where it has become apparent that no further steps can be taken to recover the sums due. This sum represents 1.55% of the total debit raised for 2013/14 of £79.3 million.
5. The Council's existing financial plans include provisions and payments from the Government to cover the amounts being written-off in this report.

Recommendation

6. It is recommended that a total amount a total amount of £136,678 of former housing tenant arrears, £123,185 of Housing Benefit overpayments and £1,232,802 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.

Reason

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

Paul Wildsmith
Director of Neighbourhood Services and Resources

Background Papers

No Background papers were used in the preparation of this report

Anthony Sandys : Extension 2512
Tony Martin : Extension 2516

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

Former Housing Tenant Arrears

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

Table 1: Proposed Arrears to be Written Off - 2013/14

Category	No	Value £
Death	12	10,842
No forwarding Address	19	25,236
Statute Barred ¹	20	22,041
Miscellaneous	2	1,515
Cases referred for Debt Recovery action and/or legal action but not financially viable to proceed. eg: cases where the debtor has no assets or is in receipt of state benefits.	52	77,044
Total	105	136,678

9. Applicants who apply for housing with former tenancy debts will be considered objectively. The Choice Based Lettings policy states that applicants with housing related debts exceeding £1,500 will be ineligible for housing, unless there are any current mitigating circumstances. Applicants with housing related debts under £1,500 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	Overlook for offer	Repayment schedule must be

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

Rechargeable Repairs under £500		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

10. Historically, Housing Services has been reluctant to write off debt and will pursue them further than some other social landlords. All outstanding cases have been systematically reviewed over the past 15-18 months. As at 31 March 2014, a total of £74,929 has been received in income from former tenants towards arrears for the financial year 2013/14.
11. Housing Services has recently introduced a dedicated Income Management team, in order to ensure that appropriate resources are available to maximise all income streams. An officer, dedicated to the collection of former tenant arrears, carries out home visits to help recover outstanding debt.
12. Housing Services carry out pre termination visits and set in place arrangements to clear any outstanding arrears or debt. Officers actively work in partnership with our key partners and external agencies offering financial advice and assistance to all customers.
13. Housing Officers have also provided appropriate training scripting and support to front line staff to assist them in:
 - (a) Triaging calls
 - (b) Providing good quality, relevant advice and support
 - (c) Providing appropriate signposting services
14. Streamline Terminals are available in the Customer Services Centre. 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 is used for both current and former tenant arrears.
15. The sum of £26,612 has also been written off under delegated powers, for a total of 196 cases, where arrears were below £500.

Housing Benefit Overpayments

16. Table 3 below is a schedule of Housing Benefit overpayments recommended for write-off:

Table 3 – Proposed Housing Benefit overpayments to be written-off (individual cases exceeding £500)

2013/14		
Category	Number	Value £
Hardship	6	6,043
Appeal	3	3,498
Official error	31	35,073
Deceased	1	2,447
No forwarding address	39	46,225
Bankruptcy	13	29,899
Total	93	123,185

17. For information, the Housing Benefit overpayments written-off that were under £500 are 456 debts totalling £58,470.
18. Housing Benefit is paid to many thousands of claimants and landlords each year through the Housing Benefit scheme. Whilst every effort is made to minimise overpayments, due to the very nature of the scheme some overpayments will occur.
19. Overpayments can be caused by:
 - (a) A failure of the claimant or landlord to report a change of circumstance, which may affect the level of entitlement to benefit, or
 - (b) Incorrect information being supplied, or
 - (c) Errors made by the local authority, or
 - (d) Errors made by the Department for Works and Pensions (DWP) and by Her Majesty's Revenues and Customs (HMRC).
20. Depending upon how the overpayment occurs will determine whether or not it can be recovered or must be written-off as irrecoverable.
21. In respect of recoverable overpayments, these may be recovered by:
 - (a) Raising an invoice, or
 - (b) Deductions from ongoing benefit entitlement, or
 - (c) Recovery from the landlord's scheduled payment, or
 - (d) Deductions from certain social security benefits payable to the claimant in certain circumstances, or
 - (e) Deductions from earnings for people in work.
22. 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.

23. Table 4 provides details of the total amounts of Housing Benefit written-off when compared to the total of Housing Benefit paid and overpayments generated.

Table 4: Housing Benefit paid compared to overpayments in 2013/14

Total benefit paid (£,000)	Total over-payments created (£,000)	Total over-payments written-off (£,000)	Write-offs as a % of total benefits paid	Write-offs as a % of over-payments created
38,231	1,199	182	0.48%	15.18%

24. The total amount of Housing Benefit overpayments recovered in 2013/14 was £799,655 compared to £756,745 in 2012/13 (a 5.7% increase).

Non-Domestic Rates and Council Tax

25. In 2013/14 the Council collected 95.2% of Council Tax due in that year, compared to 95.9% in 2012/13. In year collection of Non-Domestic Rates was 97.0% during 2013/14, compared to 95.8% in 2012/13. The collection of both Council Tax and Non-Domestic Rates continues to be a challenge for the Council during these financially difficult times.
26. In April 2013, the Council created a new Council Tax Support (CTS) scheme replacing Council Tax Benefit, which was abolished by the DWP. This meant that all working aged recipients of CTS had to pay a minimum of 20% of their Council Tax, many of whom were paying Council Tax for the first time. In 2013/14 the total Council Tax liability for people in receipt of CTS was £2,317,101 of which £1,922,178 was collected during 2013/14 (or 83.0%).
27. The majority 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.

28. As at March 2014, the total outstanding Council Tax stood at £5.079 million (over 7,000 individual debtors). Three dedicated Recovery Officers specifically undertake the recovery of these debts. In 2013/14, £994,000 of Council Tax arrears from previous years was collected, compared to £845,000 collected in 2012/13 (a 17.6% increase). However, in accordance with audit recommendations, many of the older outstanding debts have been identified for write-off.
29. As at March 2014, the total outstanding Non-Domestic Rates stood at £1.419 million (over 300 individual debtors).
30. Table 5 is a schedule of debts recommended for write-off:

Table 5 – Proposed Non-Domestic Rates and Council Tax to be written-off (individual debts exceeding £500)

2013/14			
Fund	Classification	Number	Value £
Non-Domestic Rates	Debt over 6 years old	5	7,354
	Bankruptcy / receivership	122	489,264
	No forwarding address	46	154,864
	Other reason* / Liable party not known	50	174,840
	Total		223
Council Tax	Debt over 6 years old	190	129,786
	Bankruptcy / receivership	38	30,192
	Deceased	11	8,686
	No forwarding address	329	237,206
	Other reason*	1	610
	Total		569
Totals	Non-Domestic Rates	223	826,322
	Council Tax	569	406,480
	Total	792	1,232,802

***Other reason** will be aged debts where all reasonable steps to recover the amounts have been taken, but it is no longer financially viable to proceed further.

31. 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 6 – Non-Domestic Rates and Council Tax written-off (individual debts less than £500) - 2013/14

Non-Domestic Rates	22,735
Council Tax	497,270
Total	520,005

Table 7 – Summary of Non-Domestic Rates and Council Tax written-off and credits written back - 2013/14

Fund	Classification	Value £
Non-Domestic Rates	Debts over £500 written-off	826,322
	Debts under £500 written-off	22,735
	Credits written back	-89,567
	Net	759,490
Council Tax	Debts over £500 written-off	406,480
	Debts under £500 written-off	497,270
	Credits written back	22,093
	Net	881,658
	Net Total	1,641,148

Financial Implications

32. 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 £136,678 has therefore, already been taken into account in the Housing Revenue Account.
33. In respect of Housing Benefit overpayments, the DWP has recognised that in a system as complex as the Housing Benefit scheme, errors will occur. The DWP provide incentives for local authorities to minimise the number of these errors. As a result, local authorities receive subsidy depending on the type of overpayment.
34. Local authority error overpayments are subsidised at 100% providing we remain below the error threshold of 0.48% of total expenditure. For 2013/14 the error level was 0.28%; therefore these overpayments will be fully subsidised by the DWP. All other eligible overpayments due to tenant or landlord error are funded at 40% subsidy, most of which are then successfully recovered. There will be no financial impact on the Council's current revenue budget as provisions have been made in the previous year.
35. Up to March 2013, provision for bad and doubtful Non-Domestic Rates debt was financed through the national pooling arrangements. From April 2013, following the

introduction of the Rates Retention scheme, the Council has become liable for its proportion (49%) of the bad and doubtful debts with the remainder being shared between Central Government and Durham and Darlington Fire Authority. This has been allowed for in the Council's accounts. 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.

36. For comparison purposes, the net amounts of debit raised during 2013/14 (excluding summons costs) for Non-Domestic Rates and Council Tax were £34.475 million and £44.788 million respectively. The total amounts recommended to be written-off represent 2.20% of Non-Domestic Rates and 1.97% of Council Tax.
37. Despite the ongoing economic conditions, 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.