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

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**Responsible Cabinet Member - Councillor Stephen Harker  
Efficiency and Resources Portfolio**

**Responsible Director - Paul Wildsmith, Director of Resources**

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**SUMMARY REPORT**

**Purpose of the Report**

1. This report gives an update on the current position on Housing and Council Tax Benefit overpayments, Non-Domestic Rates and Council Tax, and seeks approval to write-off debts of £465,582.

**Summary**

2. The Council administers £45.7 million of benefit expenditure. In the administration of such large sums, some overpayments will be made which cannot be recovered. This report seeks authority to write-off £137,397 which represents 0.30% of the benefit expenditure. The DWP will cover the cost of write-off where the authority is successful in managing the write-off to within 0.48% of the total expenditure. This write-off is well within that boundary and the cost will therefore be covered by the DWP. Wherever possible, action will still be taken to recover the sums, but formal write-off is recommended to ensure accurate budget management where there are no avenues currently available to recover the sums due.
3. The Council collects £75.1 million of Non-Domestic Rates and Council Tax. It is not possible for the Council to collect all of the amounts owing, but the Council has been successful in limiting the amount that is written-off in respect of individual cases exceeding £500 for 2012/13 to 0.44% of the total debit raised. Approval is therefore sought to write-off the sum of £328,185 of Non-Domestic Rates and Council Tax. Wherever possible the debts will be pursued, however the majority of the write-off, over £233,000, relates to non-payment of Non Domestic Rates due to bankruptcy or receivership.

**Recommendation**

4. It is recommended that a total amount of £137,397 of Housing and Council Tax Benefits overpayments and £328,185 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

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

**Paul Wildsmith**  
**Director of Resources**

## 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

#### Housing and Council Tax Benefit Overpayments

6. Table 1 below is a schedule of Housing and Council Tax Benefit overpayments recommended for write-off:

**Table 1 – Proposed Housing and Council Tax Benefit overpayments to be written-off (individual cases exceeding £500)**

2012/13		
Category	Number	Value £
Hardship	4	2,982
Appeal	3	5,078
Official error	30	53,688
Deceased	5	32,567
No forwarding address	22	30,812
Cases referred for debt recovery action and/or legal action but not financially viable to proceed	8	12,270
<b>Total</b>	<b>72</b>	<b>137,397</b>

7. For information, the debts written-off that were under £500 are as follows:
- (a) Housing Benefit - 456 debts totalling £51,498
  - (b) Council Tax Benefit - 144 debts totalling £6,454.
8. 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.
9. 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).
10. Depending upon how the overpayment occurs will determine whether or not it can be recovered or must be written-off as irrecoverable.
11. 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.

12. 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.
13. Table 2 provides details of the total amounts of Housing and Council Tax Benefit written-off when compared to the total of Housing and Council Tax Benefit paid and overpayments generated.

**Table 2: Housing and Council Tax Benefit paid compared to overpayments in 2012/13**

<b>Total benefit paid (£,000)</b>	<b>Total over-payments created (£,000)</b>	<b>Total over-payments written-off (£,000)</b>	<b>Write-offs as a % of total benefits paid</b>	<b>Write-offs as a % of over-payments created</b>
£45,699	£1,293	£195	0.43%	15.08%

14. The total amount of Housing Benefit overpayments recovered in 2012/13 was £756,745.

#### Non-Domestic Rates and Council Tax

15. In 2012/13 the Council collected 95.9% of Council Tax due in that year, compared to 96.4% in 2011/12. In year collection of Non-Domestic Rates was 95.8% during 2012/13, compared to 97.2% in 2011/12. The collection of both Council Tax and Non-Domestic Rates continues to be a challenge for the Council during these financially difficult times.
16. 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.

17. As at March 2013, the total Council Tax arrears stood at £4.449 million (over 9,000 individual debts). Two dedicated Recovery Officers posts were created in 2011 and a further post has been created in 2013 to specifically undertake the recovery of these debts and some successes have already been achieved in recovering debts previously dormant for some time. In 2012/13, £845,000 of Council Tax arrears from previous years was collected, compared to £654,000 collected in 2011/12. However, in accordance with audit recommendations, many of the older outstanding debts have been identified for write-off.

18. As at March 2013, the total Non-Domestic Rates arrears stood at £1.423 million (over 500 individual debts).

19. Table 3 is a schedule of debts recommended for write-off:

**Table 3 – Proposed Non-Domestic Rates and Council Tax to be written-off (individual debts exceeding £500)**

2012/13			
Fund	Classification	Number	Value £
Non-Domestic Rates	Bankruptcy / receivership	52	233,311
	Other reason – irrecoverable*	3	8,294
	<b>Total</b>	<b>55</b>	<b>241,605</b>
Council Tax	Debt over 6 years old	9	6,322
	Bankruptcy / receivership	23	18,723
	Deceased	8	10,220
	No forwarding address	27	20,455
	Other reason – irrecoverable*	35	30,860
	<b>Total</b>	<b>102</b>	<b>86,580</b>
Totals	Non-Domestic Rates	55	241,605
	Council Tax	102	86,580
	<b>Total</b>	<b>157</b>	<b>328,185</b>

\***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.

20. 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 4 – Non-Domestic Rates and Council Tax written-off (individual debts less than £500) - 2012/13**

Non-Domestic Rates	£7,279
Council Tax	£101,649
<b>Total</b>	<b>£108,928</b>

**Table 5 – Summary of Non-Domestic Rates and Council Tax written-off and credits written back - 2012/13**

<b>Fund</b>	<b>Classification</b>	<b>Value £</b>
Non-Domestic Rates	Debts over £500 written-off	241,605
	Debts under £500 written-off	7,279
	Credits written back	-37,472
	<b>Net</b>	<b>211,412</b>
Council Tax	Debts over £500 written-off	86,580
	Debts under £500 written-off	101,649
	Credits written back	-30,562
	<b>Net</b>	<b>157,667</b>
	<b>Net Total</b>	<b>369,079</b>

### Financial Implications

21. 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 has recognised that in a system as complex as the Housing Benefits/Council Tax Benefit schemes, 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.
22. Local authority error overpayments are subsidised at 100% providing we remain below the error threshold of 0.48% of total expenditure. For 2012/13 the error level was 0.30%; 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. Members will be aware that Council Tax Benefit was abolished from 31<sup>st</sup> March 2013 and therefore the funding arrangements for Council Tax Support for 2013/14 have changed.

23. Up to March 2013, provision for bad and doubtful Non-Domestic Rates debt was 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.
24. For comparison purposes, the net amounts of debit raised during 2012/13 (excluding summons costs) for Non-Domestic Rates and Council Tax were £33.729 million and £41.375 million respectively. The total amounts recommended to be written-off represent 0.63% of Non-Domestic Rates and 0.38% of Council Tax.
25. 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.