
**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 - 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 Housing tenant rent arrears, Housing Benefit overpayments, Non-Domestic Rates and Council Tax, and seeks approval to write-off debts of £1,204,318.

Summary

2. Approval is being sought to write-off £151,898 of former Housing tenant rent arrears in respect of 106 individual cases where arrears exceed £500, for the financial year 2016/17. All reasonable recovery action has been taken and no further economically viable steps can be taken to recover the sums due. This sum represents 0.60% of the annual rent debit of £25.3 million.
3. Approval is also being sought to write-off £105,641 of Housing Benefit overpayments in respect of individual cases exceeding £500 for the financial year 2016/17, where it has become apparent that no further steps can be taken to recover the sums due. This sum represents 0.29% of the total Housing Benefit expenditure for 2016/17 of £36.5 million.
4. Approval is also being sought to write-off £946,779 of Non-Domestic Rates and Council Tax in respect of individual cases exceeding £500 for the financial year 2016/17, where it has become apparent that no further steps can be taken to recover the sums due. This sum represents 1.09% of the total debit raised for 2016/17 of £86.6 million.
5. The financial consequences of the writing off the debts included in the report are already contained within the Councils Medium Term Financial Plans.

Recommendation

6. It is recommended that a total amount of £151,898 of former Housing tenant arrears, £105,641 of Housing Benefit overpayments and £946,779 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

7. The recommendations is supported as regular arrangements for writing off debts are in accordance with 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 6926

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	Effective write-off mechanisms 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 - 2016/17

Category	No	Value £
Deceased	17	£21,332
No forwarding Address	7	£16,133
Statute Barred ¹	14	£13,871
Miscellaneous	1	£1,078
Cases referred for Debt Recovery action and/or legal action but not financially viable to proceed, for example, cases where the debtor has no assets or is in receipt of state benefits.	67	£99,484
Total	106	£151,898

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 Rechargeable Repairs under £500	Overlook for offer	Repayment schedule must be maintained for 13 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.

Former Tenants Rechargeable Repairs over £500	Overlook for offers	Repayment schedule must be maintained for 26 consecutive weeks or more
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10. Housing Services are reluctant to write-off debt and will pursue them further than some other social landlords. As at 31 March 2017, a total of £80,305 has been received in income from former tenants towards arrears for the financial year 2016/17.
11. Housing Services has 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. Recovery action includes address searches across a number of databases, home visits, letters and phone calls. When required, cases are referred to the Council's contracted collection agents.
14. 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
15. Payment terminals are available in the Customer Services Centre. This enables Officers to take cash or card payment in person. This facility is used for both current and former tenant arrears.
16. The sum of £22,641 has also been written off under delegated powers, for a total of 114 cases, where arrears were below £500.

Housing Benefit Overpayments

17. 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) - 2016/17

Category	Number	Value £
Hardship	1	£1,206
Official error	16	£15,888
Deceased	4	£6,793
No forwarding address	15	£20,245

Bankruptcy	14	£34,254
Other reason*	17	£27,255
Total	67	£105,641

***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.

18. For information, the Housing Benefit overpayments written-off that were under £500 are 360 debts totalling £40,550.
19. 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.
20. 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).
21. Depending upon how the overpayment occurs will determine whether or not it can be recovered or must be written-off as irrecoverable.
22. 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.
23. 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 contracted collection agents. Only when all avenues of recovery have been exhausted, will the overpayment be considered for write-off.
24. 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.

25. **Table 4: Housing Benefit paid compared to overpayments in 2016/17**

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
£36,537	£1,281	£146	0.40%	11.40%

26. The total amount of Housing Benefit overpayments recovered in 2016/17 was £1,202,060 compared to £1,063,561 in 2015/16 (a 13.0% increase).

Non-Domestic Rates and Council Tax

27. In 2016/17 the Council collected 95.8% of Council Tax due in that year, compared to 95.2% in 2016/17. In-year collection of Non-Domestic Rates was 97.9% during 2016/17, compared to 98.4% in 2016/17. The collection of both Council Tax and Non-Domestic Rates continues to be a challenge for the Council during these financially difficult times.

28. Under the local Council Tax Support (CTS) scheme, all working aged recipients of CTS have to pay a minimum of 20% of their Council Tax. In 2016/17 the total Council Tax liability for people in receipt of CTS was £2,408,249 of which £1,941,543 was collected during 2016/17 (or 80.6%).

29. 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 Council's contracted enforcement agents find a debtor has absconded, they will make their own enquiries to trace the person concerned.

30. As at March 2017, the total outstanding Council Tax (excluding costs) stood at £4.546 million. A team of dedicated Recovery Officers specifically undertake the recovery of these debts. In 2016/17, £1,567,911 of Council Tax arrears from previous years was collected compared to £1,549,537 collected in 2015/16 (a 1.2% increase). However, some of the older outstanding debts have been identified for

write-off.

31. As at March 2017, the total outstanding Non-Domestic Rates (excluding costs) stood at £0.981 million.
32. 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) - 2016/17

Fund	Classification	No.	Value £
Non-Domestic Rates	Debt over 6 years old	5	£5,512
	Bankruptcy / receivership	71	£249,377
	No forwarding address	14	£29,253
	Other reason*	54	£193,156
	Total		144
Council Tax	Debt over 6 years old	19	£13,385
	Bankruptcy	119	£111,082
	Deceased	12	£9,305
	No forwarding address	39	£25,731
	Other reason – irrecoverable/uneconomical	318	£309,978
	Total		507
Totals	Non-Domestic Rates	144	£477,298
	Council Tax	507	£469,481
	Total	651	£946,779

***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.

33. 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) - 2016/17

Non-Domestic Rates	£9,131
Council Tax	£309,515
Total	£318,646

Table 7 – Summary of Non-Domestic Rates and Council Tax written-off and credits written back - 2016/17

Fund	Classification	Value £
Non-Domestic Rates	Debts over £500 written-off	£477,298
	Debts under £500 written-off	£9,131
	Credits written back	-£112,713
	Net	£373,716
Council Tax	Debts over £500 written-off	£469,481
	Debts under £500 written-off	£309,515
	Credits written back	-£32,567
	Net	£746,429
	Net Total	£1,120,145

Financial Implications

34. 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 £151,898 has therefore, already been taken into account in the Housing Revenue Account.
35. 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.
36. Local authority error overpayments are subsidised at 100% providing we remain below the error threshold of 0.48% of total expenditure. For 2016/17 the error level was 0.25%; 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.
37. From April 2013, following the introduction of the Non-Domestic 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 (50%) and the Durham and Darlington Fire Authority (1%). 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.
38. For comparison purposes, the amounts of debit raised during 2016/17 (excluding costs) for Non-Domestic Rates and Council Tax were £36.224 million and £50.359

million respectively. The total amounts recommended to be written-off represent 1.03% of Non-Domestic Rates and 1.48% of Council Tax.

39. Despite the ongoing economic conditions, high collection levels remain. Local Tax collection is critically important to provide the Council with an increasingly large part of the resources that it needs to provide essential services to residents and businesses and must, therefore remain a very high priority.