

**CABINET
6 JULY 2021**

COLLECTION OF COUNCIL TAX, BUSINESS RATES AND RENTS 2020-2021

**Responsible Cabinet Member - Councillor Charles Johnson,
Resources Portfolio**

Responsible Director - Elizabeth Davison, Group Director of Operations

SUMMARY REPORT

Purpose of the Report

1. To provide Members with an update on the collection of Council Tax, Business Rates and Council rents during 2020-2021 and to seek approval for the write-off of debts over £500 that are considered to be irrecoverable.

Summary

2. The Collection of Council Tax, Business Rates and Council rents during 2020-2021 has been a significant challenge due to the ongoing Covid 19 pandemic. Normal recovery and enforcement activities have not been possible; Courts have been closed and the recovery of debts with Enforcement Agents has been suspended.
3. However, despite the challenges, a total of £103.1 million has been collected in 2020-21, as follows:-
 - (a) £60.5 million of Council Tax.
 - (b) £17.1 million of Business Rates.
 - (c) £25.6 million of Council rents.
4. Approval is being sought to write-off a total of £761,212 of debts in respect of individual cases exceeding £500 for the financial year 2020-21, where it has become apparent that no further steps can be taken to recover the sums due, as follows:-
 - (a) £295,899 of Council Tax
 - (b) £82,596 of Business Rates
 - (c) £52,854 of former Council tenant arrears
 - (d) £157,286 of Housing Benefit overpayments
 - (e) £172,577 of sundry debts.

Recommendation

5. It is recommended that Cabinet:-
 - (a) Consider the contents of the report, and

- (b) Approve the write-off of £761,212 for debts over £500, subject to further steps for recovery being taken, wherever possible, if and when contact with the debtor is made.

Reasons

6. The recommendations are supported by the following reasons:-

- (a) The collection of Council Tax, Business Rates and Council rents underpins the Council's MTFP.
- (b) The write-off of irrecoverable debts enables the Council's accounts to be maintained in accordance with Financial Procedure Rules.

Elizabeth Davison
Group Director of Operations

Background Papers

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

Anthony Sandys: Extension 6926
Peter Carrick: Extension 5401

S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Well Being	There are no issues which this report needs to address
Carbon Impact and Climate Change	There are no issues which this report needs to address
Diversity	There are no issues which this report needs to address
Wards Affected	The proposal effects all wards
Groups Affected	The proposal effects all groups within the community
Budget and Policy Framework	The report does not represent a change to Council's budget or policy framework.
Key Decision	The proposal does not represent a key decision
Urgent Decision	This is not an urgent item
One Darlington: Perfectly Placed	This report does not seek to deliver aspects of the sustainable community strategy Note - the SCS is currently under review and is due to be considered further at a meeting of Council on 15 July 2021
Efficiency	This report does not contain proposals but refers to ongoing initiatives to increase income
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

MAIN REPORT

Information and Analysis

Council Tax

7. During 2020-21, a total of £61.9 million of Council Tax was due, of which £59.3 million was collected (or 95.8%). In addition, £1.2 million of Council Tax arrears relating to previous years was collected in 2020-21. This compares to £58.1 million collected in 2019-20 (or 96.2%) and £1.5 million of Council Tax arrears.
8. The collection of Council Tax during 2020-21 has been a significant challenge due to the ongoing Covid 19 pandemic. Courts have been closed, which has meant that the Council has been unable to obtain liability orders for unpaid Council Tax, preventing any enforcement action, such as attachment of earnings and deductions from benefits from being taken. In addition, recovery action through the Council's Enforcement Agents (bailiffs) has been suspended. As a result, Council Tax arrears (excluding costs) have increased from £4.3 million in March 2020 to £5.6 million in March 2021.
9. However, despite the challenges, the Council is still expecting to collect the target of 99% of Council Tax due for 2020-21. A summary of Council Tax collection from 2012 is given at table 1 below and shows that collection rates remain high and arrears are well managed.

Table 1: Council Tax collection summary

Year	Council Tax (£,000)				Percentage Collected to date
	Due	Collected	Written-off	Outstanding	
2012-13	41,281	40,904	358	19	99.1%
2013-14	44,682	44,178	472	32	98.9%
2014-15	46,315	45,699	562	54	98.7%
2015-16	47,906	47,196	620	90	98.5%
2016-17	50,273	49,496	607	170	98.4%
2017-18	53,339	52,405	589	345	98.2%
2018-19	57,237	56,095	429	713	98.0%
2019-20	60,225	58,571	53	1,601	97.3%
2020-21	61,899	59,269	44	2,586	95.8%

10. However, some of the older outstanding debts have been identified as irrecoverable and approval for write-off is being sought. A total of £295,899 Council Tax debts over £500 have been identified for write-off in 2020-21. This represents 0.45% of the Council Tax due to be collected in 2020-21. Details of the proposed Council Tax debts over £500 to be written-off are given at table 2 below.

Table 2: Proposed Council Tax debts over £500 to be written-off 2020-21

Reason for write-off	Value
No longer financially viable	£134,621
Bankruptcy/Debt Relief Order	£123,949
No forwarding address	£13,436
Council Tax Support	£9,142
Official error	£7,578
Deceased	£6,391
Debt over 6 years old	£782
Total write-off	£295,899

11. Details of the reasons for the write-off of debts are as follows:

- (a) **No longer financially viable** – these are debts where all reasonable steps to recover the amounts have been taken, but it is no longer financially viable to proceed further. For example, this could be as a result of information from an Enforcement Agent, advice from Legal Services or the debtor being in prison.
- (b) **Bankruptcy/Debt Relief Order** – these are debts where the debtor has been made bankrupt, insolvent or is subject to a Debt Relief Order, and there are no assets left to recover the debt.
- (c) **No forwarding address** – these are debts where all reasonable steps have been taken to trace the debtor, but their current whereabouts are not known. If contact is made in the future, the debt will become recoverable again.
- (d) **Council Tax Support** – these are debts which are actively being collected through the maximum deductions allowable from the debtor’s DWP benefits, but where the debtor has multiple debts outstanding.
- (e) **Official error** – these are debts caused as a result of an error made by the Council or another official organisation, such as the Department for Work and Pensions (DWP), and the debt is irrecoverable.
- (f) **Deceased** – these are debts where the debtor is deceased and there are no assets left in the estate.
- (g) **Debt over 6 years old** – these are debts where all reasonable steps to recover the amounts have been taken, but it is no longer financially viable to proceed further and the debt is over 6 years old.

12. Members should also be aware that, for the same period, £180,520 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2020-21, including credits written back, is given at table 3 below.

Table 3: Council Tax write-off summary 2020-21

Classification	Value
Debts over £500 written-off	£295,899
Debts under £500 written-off	£180,520
Debts written-off reversal*	-£82,377
Credits written back	-£275,997
Credits written back reversal**	£1,426
Net write-off	£119,471

13. *Debts written-off reversal: These are debts previously written-off that have been reversed back to recover following successful contact with the debtor.
14. **Credits written back reversal: These are credits previously written back that have been reversed back to refund following successful contact with the creditor.

Business Rates

15. During 2020-21, a total of £17.6 million of Business rates was due, of which £17.1 million was collected (or 97.0%). This compares to £33.5 million collected in 2019-20 (or 98.9%). The reason for the large difference is that over £17 million of additional Business Rates reliefs were awarded in 2020-21 to support businesses in Darlington through the Covid 19 pandemic.
16. As with Council Tax, the collection of Business Rates during 2020-21 has been a significant challenge due to the ongoing Covid 19 pandemic. As a result, Business Rates arrears (excluding costs) have increased from £0.5 million in March 2020 to £1.1 million in March 2021.
17. Despite the challenges, the Council is still expecting to collect the target of 99% of Business Rates due for 2020-21. A summary of Business Rates collection from 2012 is given at table 4 below and shows that collection rates remain high and arrears are well managed.

Table 4: Business rates collection summary

Year	Council Tax (£,000)				Percentage Collected to date
	Due	Collected	Written-off	Outstanding	
2012-13	32,407	31,825	573	9	98.2%
2013-14	33,320	32,727	575	18	98.2%
2014-15	33,613	33,177	436	0	98.7%
2015-16	34,145	33,816	327	2	99.0%
2016-17	35,831	35,389	419	23	98.8%
2017-18	34,092	33,689	354	49	98.8%
2018-19	34,520	34,101	277	142	98.8%
2019-20	33,915	33,545	17	353	98.9%
2020-21	17,589	17,070	16	503	97.0%

18. However, some of the older outstanding debts have been identified as irrecoverable and approval for write-off is being sought. A total of £82,596

Business Rates debts over £500 have been identified for write-off in 2020-21. This represents 0.46% of the Business Rates due to be collected in 2020-21. Details of the proposed Business Rates debts over £500 to be written-off are given at table 5 below.

Table 5: Proposed Business Rates debts over £500 to be written-off 2020-21

Reason for write-off	Value
Bankruptcy	£74,470
No longer financially viable	£6,093
Official error	£1,500
Debt over 6 years old	£533
Total write-off	£82,596

19. Members should also be aware that, for the same period, £3,803 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2020-21, including credits written back, is given at table 6 below.

Table 6: Business Rates write-off summary 2020-21

Classification	Value
Debts over £500 written-off	£82,596
Debts under £500 written-off	£3,803
Debts written-off reversal	-£1,766
Credits written back	-£39,588
Credits written back reversal	£50,580
Net write-off	£95,625

Council Rents

20. During 2020-21, a total of £25.19 million of Council rent was due and £25.59 million was collected (or 101.6%). The amount of rent arrears has therefore reduced from £764,912 in March 2020 to £630,488 in March 2021. In addition, £130,951 of former tenant arrears was also collected.
21. Housing Services are committed to help tenants to maintain a tenancy through prevention, support and debt recovery and make all reasonable attempts to recover debts and provide practical advice and assistance to tenants facing difficulties with their rent payments.
22. Recovery action for current tenant rent charges includes letters, home visits, emails, text message and phone calls. Under normal circumstances, court action is taken to regain possession of the property as a last resort action but this has not been possible during 2020-21. A supportive stance in relation to rent collection has been taken throughout 2020-21 to assist tenants to maintain their tenancy, evidenced by the reduction in rent arrears.
23. However, former tenant debts, including rechargeable repairs, may be written-off where recovery is uneconomical to the Council or the tenants whereabouts remain unknown for over a year despite all reasonable tracing efforts being made. Current

tenant arrears are only written-off where the tenant is subject to the Debt Respite Scheme (Breathing Space), Debt Relief Orders, Bankruptcy or Individual Voluntary Arrangements.

24. Approval is being sought to write-off a total of £52,854 of former tenant rent arrears over £500, where all reasonable recovery efforts have been exhausted. This represents 0.21% of Council rents due to be collected in 2020-21. Details of the proposed former tenant rent arrears over £500 to be written-off are given at table 7 below.

Table 7: Proposed former tenant rent arrears over £500 to be written-off 2020-21

Reason for write-off	Value
No longer financially viable	£17,906
Deceased	£17,081
No forwarding address	£6,126
Debtor in prison	£4,949
Legal Services advice	£4,412
Bankruptcy/Debt Relief Order	£1,604
Debtor in residential care	£776
Total write-off	£52,854

25. Members should also be aware that, for the same period, £18,024 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2020-21, including credits written back, is given at table 8 below.

Table 8: Former tenant arrears write-off summary 2020-21

Classification	Value
Debts over £500 written-off	£52,854
Debts under £500 written-off	£18,024
Credits written back	-£966
Net write-off	£69,912

Housing Benefit Overpayments

26. During 2020-21, a total of £498,869 Housing Benefit overpayments were identified and £646,397 was collected (or 129.6%). The amount of outstanding Housing Benefit overpayments has therefore reduced from £2.36 million in March 2020 to £1.99 million in March 2021.
27. Approval is being sought to write-off a total of £157,286 of Housing Benefit overpayments over £500, where all reasonable recovery efforts have been exhausted. This represents 5.77% of all Housing Benefit overpayments due to be collected in 2020-21. Details of the proposed Housing Benefit overpayments over £500 to be written-off are given at table 9 below.

Table 9: Proposed Housing Benefit overpayments over £500 to be written-off 2020-21

Reason for write-off	Value
Deceased	£57,303
Bankruptcy/Debt Relief Order	£39,495
No longer financially viable	£25,281
Official error	£20,463
Hardship	£14,216
No forwarding address	£528
Total write-off	£157,286

28. Members should also be aware that, for the same period, £15,089 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2020-21 is given at table 10 below.

Table 10: Housing Benefit overpayments write-off summary 2020-21

Classification	Value
Debts over £500 written-off	£157,286
Debts under £500 written-off	£15,089
Total write-off	£172,375

Sundry Debt invoices

29. During 2020-21, a total of £27.02 million of new sundry debts were raised and £26.24 million was collected (or 97.11%). The amount of outstanding sundry debts has therefore increased from £7.07 million in March 2020 to £7.64 million in March 2021.

30. Approval is being sought to write-off a total of £172,577 of sundry debts over £500, where all reasonable recovery efforts have been exhausted. This represents 0.51% of all sundry debts due to be collected in 2020-21. Details of the proposed sundry debts over £500 to be written-off are given at table 11 below.

Table 11: Proposed sundry debts over £500 to be written-off 2020-21

Reason for write-off	Value
Deceased	£105,238
No longer financially viable	£67,339
Total write-off	£172,577

31. Members should also be aware that, for the same period, £40,523 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2020-21 is given at table 12 below.

Table 12: Sundry debts write-off summary 2020-21

Classification	Value
Debts over £500 written-off	£172,577
Debts under £500 written-off	£40,523
Total write-off	£213,100

Financial Implications

32. 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.
33. 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 make adequate provision in their accounts. The financial implications of writing-off the proposed former tenant arrears debt has therefore, already been taken into account in the Housing Revenue Account.
34. 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.
35. Official error overpayments are subsidised at 100%, therefore these overpayments will be fully reimbursed by the DWP. All other eligible overpayments 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.
36. For sundry debts, a provision is made in the accounts for bad debts on a monthly basis and reflected in budgets. Debts over one year old are provided for on a 100% basis, so the write-off outlined above will have no adverse effect on the MTFP. Debts of less than one year old may also be provided for and the decision of how much to provide is taken in consultation with the manager responsible for the service.