

CABINET
5 JULY 2022

COLLECTION OF COUNCIL TAX, BUSINESS RATES AND RENT 2021-22

**Responsible Cabinet Member -
Councillor Scott Durham, 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 2021-2022 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 2021-2022 has continued to be a significant challenge due to the Covid 19 pandemic. Normal recovery and enforcement activities have been restricted with Courts only taking on a limited numbers of cases and the recovery of some debts delayed.
3. However, despite the challenges, a total of £118.4 million has been collected in 2021-22, as follows:-
 - (a) £66.0 million of Council Tax.
 - (b) £26.8 million of Business Rates.
 - (c) £25.6 million of Council rents.
4. Approval is being sought to write-off a total of £859,531 of debts in respect of individual cases exceeding £500 for the financial year 2021-22, where it has become apparent that no further steps can be taken to recover the sums due, as follows:-
 - (a) £466,524 of Council Tax
 - (b) £138,794 of Business Rates
 - (c) £17,407 of former Council tenant arrears
 - (d) £122,822 of Housing Benefit overpayments
 - (e) £113,984 of sundry debts.

Recommendation

5. It is recommended that Cabinet:
 - (a) Consider the contents of the report, and
 - (b) Approve the write-off of £859,531 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

S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Wellbeing	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
Council Plan	This report supports the Council plan to maximise income through robust income collection processes
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 2021-22, a total of £67.9 million of Council Tax was due, of which £64.5 million was collected (or 94.9%). In addition, £1.5 million of Council Tax arrears relating to previous years was collected in 2021-22. This compares to £61.9 million collected in 2020-21 (or 95.8%) and £1.2 million of Council Tax arrears.
8. The collection of Council Tax during 2021-22 was a significant challenge due to the Covid 19 pandemic. Courts were only taking on a limited numbers of cases, which meant that the Council has been unable to obtain liability orders for a number of unpaid Council Tax debts, preventing any enforcement action, such as attachment of earnings and deductions from benefits from being taken. As a result, Council Tax arrears (excluding costs) have increased from £5.6 million in March 2021 to £6.8 million in March 2022.
9. However, despite the challenges, the Council is still expecting to collect the target of 99% of Council Tax due for 2021-22. 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	41,277	40,902	360	15	99.1%
2013-14	44,676	44,179	479	18	98.9%
2014-15	46,307	45,698	575	34	98.7%
2015-16	47,896	47,202	642	52	98.6%
2016-17	50,262	49,517	649	96	98.5%
2017-18	53,319	52,466	662	191	98.4%
2018-19	57,207	56,227	549	431	98.3%
2019-20	60,169	58,994	207	968	98.0%
2020-21	61,723	60,052	56	1,615	97.3%
2021-22	67,933	64,455	82	3,396	94.9%

10. However, some of the older outstanding debts have been identified as irrecoverable and approval for write-off is being sought. A total of £466,524 Council Tax debts over £500 have been identified for write-off in 2021-22. This represents 0.69% of the Council Tax due to be collected in 2021-22. 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 2021-22

Reason for write-off	Value
Bankruptcy/Debt Relief Order	£237,575
No longer financially viable	£144,788
No forwarding address	£37,980
Debt over 6 years old	£13,538
Council Tax Support	£9,785
Official error	£9,704
Deceased	£7,845
Hardship	£5,309
Total write-off	£466,524

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

- (a) **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.
- (b) **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.
- (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) **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.
- (e) **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.
- (f) **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.
- (g) **Deceased** – these are debts where the debtor is deceased and there are no assets left in the estate.
- (h) **Hardship** – these are debts where further recovery action would cause hardship to the debtor.

12. Members should also be aware that, for the same period, £227,046 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2021-

22, including credits written back, is given at table 3 below.

Table 3: Council Tax write-off summary 2021-22

Classification	Value
Debts over £500 written-off	£466,524
Debts under £500 written-off	£227,046
Credits written back	-£124,790
Debts written-off reversal*	-£37,830
Credits written back reversal**	£1,267
Total net write-off	£532,217

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 2021-22, a total of £27.3 million of Business rates was due, of which £26.8 million was collected (or 98.1%). This compares to £17.6 million collected in 2020-21 (or 97.0%). The reason for the large difference is that over £7 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 2021-22 was a significant challenge due to the Covid 19 pandemic. However, Business Rates arrears (excluding costs) have decreased slightly from £1.1 million in March 2021 to £1.0 million in March 2022.
17. Despite the challenges, the Council is still expecting to collect the target of 99% of Business Rates due for 2021-22. 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	32,351	31,770	573	8	98.2%
2013-14	33,265	32,672	575	18	98.2%
2014-15	33,556	33,120	436	0	98.7%
2015-16	34,091	33,760	327	4	99.0%
2016-17	35,778	35,339	419	20	98.8%
2017-18	33,822	33,430	356	36	98.8%
2018-19	34,170	33,773	290	107	98.8%
2019-20	33,566	33,349	59	158	99.3%
2020-21	18,790	18,587	20	183	98.9%
2021-22	27,261	26,770	4	487	98.2%

18. However, some of the older outstanding debts have been identified as irrecoverable and approval for write-off is being sought. A total of £138,794 Business Rates debts over £500 have been identified for write-off in 2021-22. This represents 0.51% of the Business Rates due to be collected in 2021-22. 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 2021-22

Reason for write-off	Value
Bankruptcy	£135,583
No longer financially viable	£3,211
Total write-off	£138,794

19. Members should also be aware that, for the same period, £4,097 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2021-22, including credits written back, is given at table 6 below.

Table 6: Business Rates write-off summary 2021-22

Classification	Value
Debts over £500 written-off	£138,794
Debts under £500 written-off	£4,097
Credits written back	-£1,917
Debts written-off reversal	-£101,517
Credits written back reversal	£25,329
Total net write-off	£64,786

Council Rents

20. During 2021-22, a total of £26.21 million of Council rent was due and £25.56 million was collected (or 97.5%). The amount of rent arrears has increased slightly from £630,488 in March 2021 to £702,786 in March 2022. In addition, £142,837 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 been restricted during 2021-22 due to the Covid 19 pandemic. A supportive stance in relation to rent collection has been taken throughout 2021-22 to assist tenants to maintain their tenancy.
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 £17,407 of former tenant rent arrears over £500, where all reasonable recovery efforts have been exhausted. This represents 0.07% of Council rents due to be collected in 2021-22. 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 2021-22

Reason for write-off	Value
Deceased	£5,150
Legal Services advice	£4,078
Debt Relief/Bankruptcy	£3,458
No forwarding address	£1,975
No longer financially viable	£1,797
Debtor in residential care	£949
Total write-off	£17,407

25. Members should also be aware that, for the same period, £26,974 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2021-22, including credits written back, is given at table 8 below.

Table 8: Former tenant arrears write-off summary 2021-22

Classification	Value
Debts over £500 written-off	£17,407
Debts under £500 written-off	£26,974
Credits written back	-£1,777
Net write-off	£42,604

Housing Benefit Overpayments

26. During 2021-22, a total of £532,722 Housing Benefit overpayments were identified and £568,423 was collected (or 106.7%). The amount of outstanding Housing Benefit overpayments has therefore reduced from £1.99 million in March 2021 to £1.78 million in March 2022.
27. Approval is being sought to write-off a total of £122,822 of Housing Benefit overpayments over £500, where all reasonable recovery efforts have been exhausted. This represents 6.17% of all Housing Benefit overpayments due to be collected in 2021-22. 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 2021-22

Reason for write-off	Value
Official error	£47,800
No longer financially viable	£45,747
Deceased	£10,833
Bankruptcy/Debt Relief Order	£10,522
Hardship	£6,125
No forwarding address	£1,795
Total write-off	£122,822

28. Members should also be aware that, for the same period, £20,789 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2021-22 is given at table 10 below.

Table 10: Housing Benefit overpayments write-off summary 2021-22

Classification	Value
Debts over £500 written-off	£122,822
Debts under £500 written-off	£20,789
Total write-off	£143,611

Sundry Debt invoices

29. During 2021-22, a total of £30.114 million of new sundry debts were raised and £28.036 million was collected (or 93.1%). The amount of outstanding sundry debts has therefore increased from £7.635 million in March 2021 to £9.546 million in March 2022.
30. Approval is being sought to write-off a total of £113,984 of sundry debts over £500, where all reasonable recovery efforts have been exhausted. This represents 0.38% of all sundry debts due to be collected in 2021-22. 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 2021-22

Reason for write-off	Value
Deceased	£46,620
No longer financially viable	£67,364
Total write-off	£113,984

31. Members should also be aware that, for the same period, £53,276 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2021-22 is given at table 12 below.

Table 12: Sundry debts write-off summary 2021-22

Classification	Value
Debts over £500 written-off	£113,984
Debts under £500 written-off	£53,276
Total write-off	£167,260

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.