

CABINET
3 JULY 2023

COLLECTION OF COUNCIL TAX, BUSINESS RATES AND RENT 2022-23

**Responsible Cabinet Member -
Councillor Mandy Porter, 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 2022-2023 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 2022-2023 has continued to be a significant challenge in the current economic climate. Normal recovery and enforcement activities that were suspended during the Covid-19 pandemic have restarted but this had meant a backlog of arrears had accumulated.
3. However, despite the challenges, a total of £128.09 million has been collected in 2022-23, as follows:-
 - (a) £70.33 million of Council Tax
 - (b) £31.82 million of Business Rates
 - (c) £25.94 million of Council rents.
4. Approval is being sought to write-off a total of £1,138,852 of debts in respect of individual cases exceeding £500 for the financial year 2022-23, where it has become apparent that no further steps can be taken to recover the sums due, as follows:-
 - (a) £604,864 of Council Tax
 - (b) £163,104 of Business Rates
 - (c) £91,859 of former Council tenant arrears
 - (d) £97,945 of Housing Benefit overpayments
 - (e) £181,080 of sundry debts.

Recommendation

5. It is recommended that Cabinet:-

- (a) Consider the contents of the report, and
- (b) Approve the write-off of £1,138,852 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 2022-23, a total of £71.13 million of Council Tax was due, of which £68.36 million was collected (or 96.1%). In addition, £1.97 million of Council Tax arrears relating to previous years was collected in 2022-23. This compares to £67.93 million collected in 2021-22 (or 94.9%) and £1.55 million of Council Tax arrears.
8. The Collection of Council Tax during 2022-2023 has continued to be a significant challenge in the current economic climate. Normal recovery and enforcement activities that were suspended during the Covid-19 pandemic have restarted but this has meant a backlog of arrears had accumulated. However, despite the challenges, Council Tax arrears have decreased from £6.84 million in March 2022 to £6.46 million in March 2023.
9. The Council is still expecting to collect the overall target of 99% of Council Tax due for 2022-23. 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	41,265	40,894	360	11	99.1%
2013-14	44,666	44,175	480	11	98.9%
2014-15	46,295	45,695	580	20	98.7%
2015-16	47,880	47,199	652	29	98.6%
2016-17	50,245	49,520	675	50	98.6%
2017-18	53,296	52,483	702	111	98.5%
2018-19	57,179	56,303	643	233	98.5%
2019-20	60,119	59,208	389	522	98.5%
2020-21	61,624	60,463	251	910	98.1%
2021-22	67,717	65,546	298	1,873	96.8%
2022-23	71,132	68,358	103	2,671	96.1%

10. However, some of the older outstanding debts have been identified as irrecoverable and approval for write-off is being sought. A total of £604,864 Council Tax debts over £500 have been identified for write-off in 2022-23. This represents 0.85% of the Council Tax due to be collected in 2022-23. 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 2022-23

Reason for write-off	Value
No longer financially viable	£216,940
Bankruptcy/Debt Relief Order	£205,281
No forwarding address	£102,156
Council Tax Support	£55,660
Deceased	£12,741
Debt over 6 years old	£8,924
Official error	£3,162
Total write-off	£604,864

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) **Deceased** – these are debts where the debtor is deceased and there are no assets left in the estate.
- (f) **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.
- (g) **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.

12. Members should also be aware that, for the same period, £327,634 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2022-23, including credits written back, is given at table 3 below.

Table 3: Council Tax write-off summary 2022-23

Classification	Value
Debts over £500 written-off	£604,864
Debts under £500 written-off	£327,634
Credits written back	-£23,728
Debts written-off reversal*	-£37,253
Total net write-off	£871,517

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

Business Rates

14. During 2022-23, a total of £31.88 million of Business rates was due, of which £31.82 million was collected (or 99.8%). This compares to £26.77 million collected in 2021-22 (or 98.2%). The reason for the large difference is due to the amount of additional Business Rates reliefs that were awarded in 2021-22 to support businesses in Darlington following the Covid-19 pandemic.
15. As with Council Tax, the collection of Business Rates during 2022-23 continued to be a significant challenge in the current economic climate. However, despite the challenges, Business Rates arrears (excluding costs) have decreased from £1.02 million in March 2022 to £0.21 million in March 2023.
16. Despite the challenges, the Council has already exceeded the collection target of 99% of Business Rates due for 2022-23. 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	Business rates (£,000)				Percentage Collected to date
	Due	Collected	Written-off	Outstanding	
2012-13	32,352	31,771	573	8	98.2%
2013-14	33,266	32,673	575	18	98.2%
2014-15	33,556	33,119	436	1	98.7%
2015-16	34,090	33,758	328	4	99.0%
2016-17	35,776	35,340	421	15	98.8%
2017-18	33,758	33,372	370	16	98.9%
2018-19	34,042	33,662	321	59	98.8%
2019-20	33,388	33,223	103	62	99.5%
2020-21	18,480	18,474	54	-48	100.0%
2021-22	26,704	26,662	38	4	99.8%
2022-23	31,885	31,817	2	66	99.8%

17. However, some of the older outstanding debts have been identified as irrecoverable and approval for write-off is being sought. A total of £163,104 Business Rates debts over £500 have been identified for write-off in 2022-23. This represents 0.51% of the Business Rates due to be collected in 2022-23. 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 2022-23

Reason for write-off	Value
Bankruptcy	£95,480
No longer financially viable	£46,788
No forwarding address	£15,600
Deceased	£5,236
Total write-off	£163,104

18. Members should also be aware that, for the same period, £2,912 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2022-23, 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	£163,104
Debts under £500 written-off	£2,912
Credits written back	-£4,192
Total net write-off	£161,824

Council Rents

19. During 2022-23, a total of £27.06 million of Council rent was due and £25.94 million was collected (or 95.9%). In addition, £111,728 of former tenant arrears was also collected. The amount of rent arrears has increased from £702,786 in March 2022 to £862,250 in March 2023, although average rent arrears levels remain at under 4 weeks' rent, at £327.
20. 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.
21. Recovery action for current tenant rent charges includes letters, home visits, emails, text message and phone calls. Court action is taken to regain possession of the property as a last resort action. However, a supportive stance in relation to rent collection has been taken throughout 2022-23 to assist tenants to maintain their tenancy.
22. However, former tenant debts, including rechargeable repairs, may be written-off where recovery is uneconomical to the Council, or the tenant's 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.

23. Approval is being sought to write-off a total of £91,859 of former tenant rent arrears over £500, where all reasonable recovery efforts have been exhausted. This represents 0.03% of Council rents due to be collected in 2022-23. 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 2022-23

Reason for write-off	Value
No longer financially viable	£45,379
No forwarding address	£29,221
Deceased	£8,086
Legal Services advice	£7,237
Debt Relief/Bankruptcy	£1,936
Total write-off	£91,859

24. Members should also be aware that, for the same period, £11,829 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2022-23, including credits written back, is given at table 8 below.

Table 8: Former tenant arrears write-off summary 2022-23

Classification	Value
Debts over £500 written-off	£91,859
Debts under £500 written-off	£11,829
Credits written back	-£559
Net write-off	£103,129

Housing Benefit Overpayments

25. During 2022-23, a total of £569,348 Housing Benefit overpayments were identified and £635,633 was collected (or 111.6%). The amount of outstanding Housing Benefit overpayments has therefore reduced from £1.78 million in March 2022 to £1.54 million in March 2023.
26. Approval is being sought to write-off a total of £97,945 of Housing Benefit overpayments over £500, where all reasonable recovery efforts have been exhausted. This represents 4.17% of all Housing Benefit overpayments due to be collected in 2022-23. 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 2022-23

Reason for write-off	Value
Official error	£27,846
Bankruptcy/Debt Relief Order	£23,818
No longer financially viable	£22,645
Deceased	£11,452
No forwarding address	£7,890
Hardship	£4,294
Total write-off	£97,945

27. Members should also be aware that, for the same period, £16,280 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2022-23 is given at table 10 below.

Table 10: Housing Benefit overpayments write-off summary 2022-23

Classification	Value
Debts over £500 written-off	£97,945
Debts under £500 written-off	£16,280
Total write-off	£114,225

Sundry Debt invoices

28. During 2022-23, a total of £29.570 million of new sundry debts were raised and £29.899 million was collected (or 101.1%). The amount of outstanding sundry debts has therefore decreased from £9.546 million in March 2022 to £8.901 million in March 2023.

29. Approval is being sought to write-off a total of £181,080 of sundry debts over £500, where all reasonable recovery efforts have been exhausted. This represents 0.61% of all sundry debts due to be collected in 2022-23. 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 2022-23

Reason for write-off	Value
Deceased	£102,097
No longer financially viable	£78,983
Total write-off	£181,080

30. Members should also be aware that, for the same period, £134,524 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2022-23 is given at table 12 below.

Table 12: Sundry debts write-off summary 2022-23

Classification	Value
Debts over £500 written-off	£181,080
Debts under £500 written-off	£134,524
Total write-off	£315,604

Financial Implications

31. 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.
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 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.
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. 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.
35. 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.