

CABINET
16 JULY 2024

COLLECTION OF COUNCIL TAX, BUSINESS RATES AND RENT 2023-24

**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 2023-2024 and to seek approval for the write-off of debts over £500 that are irrecoverable.

Summary

2. The Collection of Council Tax, Business Rates and Council rents during 2023-2024 has continued to be a significant challenge in the current economic climate.
3. However, despite the challenges, a total of £135.61 million has been collected in 2023-24, as follows:
 - (a) £74.46 million of Council Tax
 - (b) £31.45 million of Business Rates
 - (c) £29.70 million of Council rents.
4. Approval is being sought to write-off a total of £1,538,782 of debts in respect of individual cases exceeding £500 for the financial year 2023-24, where it has become apparent that no further steps can be taken to recover the sums due, as follows:
 - (a) £665,218 of Council Tax
 - (b) £371,994 of Business Rates
 - (c) £106,932 of former Council tenant arrears
 - (d) £80,449 of Housing Benefit overpayments
 - (e) £314,189 of sundry debts.

Recommendations

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

- (b) Approve the write-off of £1,538,782 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.

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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 2023-24, a total of £75.22 million of Council Tax was due, of which £72.52 million was collected (or 96.4%). In addition, £1.88 million of Council Tax arrears relating to previous years was collected in 2023-24. This compares to £68.36 million collected in 2022-23 (or 96.1%) and £1.97 million of Council Tax arrears.
8. The Collection of Council Tax during 2023-2024 has continued to be a significant challenge in the current economic climate. However, despite the challenges, Council Tax arrears have decreased from £6.46 million in March 2023 to £6.26 million in March 2024.
9. The Council is still expecting to collect the overall target of 99% of Council Tax due for 2023-24. 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	41,262	40,891	361	10	99.1%
2013-14	44,662	44,174	481	7	98.9%
2014-15	46,292	45,694	582	16	98.7%
2015-16	47,876	47,200	657	19	98.6%
2016-17	50,239	49,523	688	28	98.6%
2017-18	53,288	52,497	728	63	98.5%
2018-19	57,168	56,348	686	134	98.6%
2019-20	60,097	59,337	489	271	98.7%
2020-21	61,572	60,675	389	508	98.5%
2021-22	67,597	66,040	478	1,079	97.7%
2022-23	70,858	69,105	257	1,496	97.5%
2023-24	75,223	72,516	90	2,617	96.4%

10. However, some of the older outstanding debts have been identified as irrecoverable and approval for write-off is being sought. A total of £665,218 Council Tax debts over £500 have been identified for write-off in 2023-24. This represents 0.88% of the Council Tax due to be collected in 2023-24. 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 2023-24

Reason for write-off	Value
Bankruptcy/Debt Relief Order	£231,272
No longer financially viable	£199,072
No forwarding address	£100,211
Council Tax Support	£85,015
Deceased	£24,616
Debt over 6 years old	£19,989
Official error	£4,531
Hardship	£512
Total write-off	£665,218

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) **Council Tax Support** – these are debts which cannot be collected by deductions from the debtor’s Department for Work and Pensions (DWP) benefits because the maximum deductions allowable are already in place and there are no other methods of recovery available.
- (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 DWP, and the debt is irrecoverable.
- (h) **Hardship** – these are debts to be written-off on hardship grounds.

12. Members should also be aware that, for the same period, £256,209 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2023-24, including credits written back, is given at table 3 below.

Table 3: Council Tax write-off summary 2023-24

Classification	Value
Debts over £500 written-off	£665,218
Debts under £500 written-off	£256,209
Credits written back*	-£135,509
Debts written-off reversal**	-£32,425
Total net write-off	£753,493

*Credits written back: These are credits where attempts to refund the credit has been unsuccessful. Credits written back can be reversed and refunded if the person makes contact.

**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

13. During 2023-24, a total of £31.17 million of Business rates was due, of which £31.12 million was collected (or 99.8%). This compares to £31.82 million collected in 2022-23 (or 99.8%).
14. As with Council Tax, the collection of Business Rates during 2023-24 continued to be a significant challenge in the current economic climate. However, despite the challenges, Business Rates arrears (excluding costs) remain at low levels, with £0.80 million of arrears outstanding in March 2024.
15. The Council has already exceeded the collection target of 99% of Business Rates due for 2023-24. 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	32,344	31,763	573	8	98.2%
2013-14	33,257	32,664	575	18	98.2%
2014-15	33,545	33,110	435	0	98.7%
2015-16	34,063	33,733	330	0	99.0%
2016-17	35,737	35,304	431	2	98.8%
2017-18	33,606	33,226	374	6	98.9%
2018-19	33,784	33,411	347	26	98.9%
2019-20	33,100	32,930	153	17	99.5%
2020-21	18,410	18,339	17	54	99.6%
2021-22	26,568	26,431	33	104	99.5%
2022-23	31,687	31,293	-161	555	98.8%
2023-24	31,167	31,118	42	7	99.8%

16. However, some of the older outstanding debts have been identified as irrecoverable and approval for write-off is being sought. A total of £371,994 Business Rates debts over £500 have been identified for write-off in 2023-24. This represents 1.19% of the Business Rates due to be collected in 2023-24. 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 2023-24

Reason for write-off	Value
Bankruptcy	£268,180
No longer financially viable	£79,372
No forwarding address	£19,963
Deceased	£3,234
Debt over 6 years old	£1,245
Total write-off	£371,994

17. Members should also be aware that, for the same period, £7,804 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2023-24, including credits written back, is given at table 6 below.

Table 6: Business Rates write-off summary 2023-24

Classification	Value
Debts over £500 written-off	£371,994
Debts under £500 written-off	£7,804
Credits written back	-£442,666
Debts written-off reversal	-£5,558
Total net write-off	-£68,426

Council Rents

18. During 2023-24, a total of £29.07 million of Council rent was due and £27.90 million was collected (or 96.0%). In addition, £95,101.19 of former tenant arrears were also collected. The amount of rent arrears has increased from £862,250 in April 2023 to £959,140 in April 2024.
19. 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.
20. 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 2023-24 to assist tenants to maintain their tenancy.
21. 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.

22. Approval is being sought to write-off a total of £106,932 of former tenant rent arrears over £500, where all reasonable recovery efforts have been exhausted. This represents 0.37% of Council rents due to be collected in 2023-24. 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 2023-24

Reason for write-off	Value
No longer financially viable	£52,293
Deceased	£35,414
No forwarding address	£16,195
Debtor in residential care	£3,030
Total write-off	£106,932

23. Members should also be aware that, for the same period, £28,513 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2023-24, including credits written back, is given at table 8 below.

Table 8: Former tenant arrears write-off summary 2023-24

Classification	Value
Debts over £500 written-off	£106,932
Debts under £500 written-off	£28,513
Credits written back	-£627
Net write-off	£134,818

Housing Benefit Overpayments

24. During 2023-24, a total of £431,174 Housing Benefit overpayments were identified and £543,542 was collected (or 126.1%). The amount of outstanding Housing Benefit overpayments has therefore reduced from £1.54 million in March 2023 to £1.34 million in March 2024.
25. Approval is being sought to write-off a total of £80,449 of Housing Benefit overpayments over £500, where all reasonable recovery efforts have been exhausted. This represents 5.22% of all Housing Benefit overpayments due to be collected in 2023-24. 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 2023-24

Reason for write-off	Value
No longer financially viable	£20,133
Official error	£17,749
Bankruptcy/Debt Relief Order	£15,609
Hardship	£13,696
Deceased	£12,424
No forwarding address	£838
Total write-off	£80,449

26. Members should also be aware that, for the same period, £16,985 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2023-24 is given at table 10 below.

Table 10: Housing Benefit overpayments write-off summary 2023-24

Classification	Value
Debts over £500 written-off	£80,449
Debts under £500 written-off	£16,985
Total write-off	£97,434

Sundry Debt invoices

27. During 2023-24, a total of £32.027 million of new sundry debts were raised and £30.215 million was collected (or 94.3%). The amount of outstanding sundry debts has therefore increased from £8.901 million in March 2023 to £11.322 million in March 2024.

28. Approval is being sought to write-off a total of £314,189 of sundry debts over £500, where all reasonable recovery efforts have been exhausted. This represents 0.98% of all sundry debts due to be collected in 2023-24. Details of the proposed sundry debts over £500 to be written-off are given at table 11 below.

29. Table 11: Proposed sundry debts over £500 to be written-off 2023-24

Reason for write-off	Value
Deceased	£132,303
No longer financially viable	£181,886
Total write-off	£314,189

30. Members should also be aware that, for the same period, £75,469 has been authorised for write-off in respect of sums of less than £500. A summary of the write-offs for 2023-24 is given at table 12 below.

Table 12: Sundry debts write-off summary 2023-24

Classification	Value
Debts over £500 written-off	£314,189
Debts under £500 written-off	£75,469
Total write-off	£389,658

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.