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**WRITE-OFF OF FORMER HOUSING TENANT ARREARS, HOUSING BENEFIT  
OVERPAYMENTS, NON-DOMESTIC RATES AND COUNCIL TAX**

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**Responsible Cabinet Member - Councillor Stephen Harker**  
**Efficiency and Resources Portfolio**

**Responsible Directors**  
**Paul Wildsmith, Managing Director**

**Ian Williams, Director of Economic Growth and Neighbourhood Services**

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**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 £1,391,772.

**Summary**

2. Approval is being sought to write-off £108,994 of former Housing tenant rent arrears in respect of 74 individual cases where arrears exceed £500, for the financial year 2017/18. All reasonable recovery action has been taken and no further economically viable steps can be taken to recover the sums due. This sum represents 0.47% of the annual rent debit of £23.4 million.
3. Approval is also being sought to write-off £129,915 of Housing Benefit overpayments in respect of individual cases exceeding £500 for the financial year 2017/18, where it has become apparent that no further steps can be taken to recover the sums due. This sum represents 0.36% of the total Housing Benefit expenditure for 2017/18 of £36.3 million.
4. Approval is also being sought to write-off £1,152,863 of Non-Domestic Rates and Council Tax in respect of individual cases exceeding £500 for the financial year 2017/18, where it has become apparent that no further steps can be taken to recover the sums due. This sum represents 1.31% of the total debit raised for 2017/18 of £88.2 million.

## Recommendation

5. It is recommended that a total amount of £108,994 of former Housing tenant arrears, £129,915 of Housing Benefit overpayments and £1,152,863 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

6. The recommendation is supported as regular arrangements for writing off debts are in accordance with best practice for good financial management.

**Paul Wildsmith, Managing Director and  
Ian Williams, Director of Economic Growth and Neighbourhood Services**

## 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
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

#### Former Housing Tenant Arrears

7. A summary of former tenant arrears recommended for write-off is given in Table 1:-

**Table 1: Proposed Arrears to be Written Off - 2017/18**

Category	No	Value £
Deceased	12	£10,187
No forwarding Address	15	£24,996
Statute Barred <sup>1</sup>	3	£3,215
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.	44	£70,596
<b>Total</b>	<b>74</b>	<b>£108,994</b>

8. 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

<sup>1</sup> 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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9. Housing Services will take all reasonable steps to recover former tenant arrears and will only write-off debt where it is appropriate. As at 31 March 2018, a total of £90,720 has been received in income from former tenants towards arrears for the financial year 2017/18.
10. Housing Services has a dedicated Income Management team, in order to ensure that appropriate resources are available to maximise all income streams.
11. 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.
12. Recovery action includes address searches across a number of databases, letters and phone calls. When required, cases are referred to the Council's contracted collection agents.
13. 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
14. 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.
15. The sum of £27,558 has also been written off under delegated powers, for a total of 142 cases, where arrears were below £500.

#### Housing Benefit Overpayments

16. 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) - 2017/18**

<b>Category</b>	<b>Number</b>	<b>Value £</b>
Hardship	1	£2,081
Official error	11	£16,279
Deceased	6	£17,779
No forwarding address	14	£17,153
Bankruptcy	17	£43,182
Other reason*	23	£32,721
<b>Total</b>	<b>72</b>	<b>£129,195</b>

\***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.

17. For information, the Housing Benefit overpayments written-off that were under £500 are 263 debts totalling £33,194.
18. 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.
19. 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).
20. Depending upon how the overpayment occurs will determine whether or not it can be recovered or must be written-off as irrecoverable.
21. 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.

22. 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.
23. 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.

**Table 4: Housing Benefit paid compared to overpayments in 2017/18**

<b>Total benefit paid (£,000)</b>	<b>Total over-payments created (£,000)</b>	<b>Total over-payments written-off (£,000)</b>	<b>Write-offs as a % of total benefits paid</b>	<b>Write-offs as a % of over-payments created</b>
£36,254	£1,670	£162	0.45%	9.70%

24. The total amount of Housing Benefit overpayments recovered in 2017/18 was £1,106,519.

#### Non-Domestic Rates and Council Tax

25. In 2017/18 the Council collected 95.6% of Council Tax due in that year. In-year collection of Non-Domestic Rates was 98.9% during 2017/18. The collection of both Council Tax and Non-Domestic Rates continues to be a challenge for the Council during these financially difficult times.
26. 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 2017/18 the total Council Tax liability for people in receipt of CTS was £2,485,593 of which £1,971,116 was collected during 2017/18 (or 79.30%).
27. 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 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.

28. As at March 2018, the total outstanding Council Tax (excluding costs) stood at £4.407 million. A team of dedicated Recovery Officers specifically undertake the recovery of these debts, and recent actions by the team have included bankruptcy proceedings and the forced sale of properties. In 2017/18, £1,477,347 of Council Tax arrears from previous years was collected by Recovery Officers. However, some of the older outstanding debts have been identified for write-off.

29. As at March 2018, the total outstanding Non-Domestic Rates (excluding costs) stood at £0.939 million.

30. 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) - 2017/18**

<b>Fund</b>	<b>Classification</b>	<b>No.</b>	<b>Value £</b>
Non-Domestic Rates	Bankruptcy / receivership	38	£342,188
	No forwarding address	4	£10,647
	Other reason	13	£39,501
	<b>Total</b>	<b>55</b>	<b>£392,336</b>
Council Tax	Bankruptcy	81	£102,298
	Deceased	15	£16,373
	No forwarding address	37	£30,956
	Other reason	142	£156,940
	Debt over 6 years old	187	£176,998
	Council Tax Support	424	£276,962
	<b>Total</b>	<b>886</b>	<b>£760,527</b>
Totals	Non-Domestic Rates	55	£392,336
	Council Tax	886	£760,527
	<b>Total</b>	<b>941</b>	<b>£1,152,863</b>

31. The classifications for the write-off of Non-Domestic Rates and Council Tax debts are as follows:

- (a) **Bankruptcy / receivership** – these are debts where the debtor has been made bankrupt, insolvent or the business is in receivership, and there are no

assets left to recover the debt.

- (b) **Deceased** – these are debts where the debtor is deceased and there are no assets left in the estate.
- (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) **Other reason** – these are debts where all reasonable steps to recover the amounts have been taken, but it is no longer financially viable to proceed further.
- (e) **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.
- (f) **Council Tax Support** – these are debts which are actively being collected through deductions from the debtor’s DWP benefits.

However, the amount of cumulative debt outstanding since 2013, together with their ongoing Council Tax liability, is more than the maximum amount that we can recover via these deductions (currently £3.70 each week). Therefore, write-off is recommended for any excess amount.

The only alternative to writing-off this excess amount would be to refer the debts to the Council’s contracted enforcement agents. However, this will incur additional costs for the debtors and is likely to result in hardship.

32. 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) - 2017/18**

Non-Domestic Rates	£7,907
Council Tax	£350,505
<b>Total</b>	<b>£358,412</b>



**Table 7 – Summary of Non-Domestic Rates and Council Tax written-off and credits written back - 2017/18**

<b>Fund</b>	<b>Classification</b>	<b>Value £</b>
Non-Domestic Rates	Debts over £500 written-off	£392,336
	Debts under £500 written-off	£7,907
	Credits written back	-£62,554
	<b>Net</b>	<b>£337,689</b>
Council Tax	Debts over £500 written-off	£760,527
	Debts under £500 written-off	£350,505
	Credits written back	-£173,100
	<b>Net</b>	<b>£937,932</b>
	<b>Net Total</b>	<b>£1,275,621</b>

### **Financial Implications**

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 to make adequate provision in their accounts. The financial implications of writing off the proposed former tenants arrears debt of £108,994 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. Local authority error overpayments are subsidised at 100% providing we remain below the error threshold of 0.48% of total expenditure. For 2017/18 the error level was 0.26%; 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.
36. 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.

37. For comparison purposes, the amounts of debit raised during 2017/18 (excluding costs) for Non-Domestic Rates and Council Tax were £34.703 million and £53.473 million respectively. The total amounts recommended to be written-off represent 1.13% of Non-Domestic Rates and 1.42% of Council Tax.
38. 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.