



Policy, Finance and Development Committee	Tuesday, 05 February 2019	Matter for Information
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Report Title: **Collection and Write-Off Council Debtors (Q3 2018/19)**

Report Author(s): **Chris Raymakers (Head of Finance, Revenues and Benefits)**

Purpose of Report:	The purpose of this report is to inform Members of the levels of outstanding debt owed to the Council at the end of the third quarter of 2018/19 and for Members to approve any write-off of uncollectable debts as per the Council's Financial Regulations.
Report Summary:	It has been a challenging third quarter for both Revenues and Rent Income collection with a number of staff being absent due to illness and a member of the team taking up a new position in the Council. As a result of this collection rates have fallen in some areas. These absences have now been largely resolved and collection will improve during the fourth quarter.
Recommendation(s):	That the contents of the report be noted.
Responsible Strategic Director, Head of Service and Officer Contact(s):	Stephen Hinds (Director of Finance & Transformation) (0116) 257 2681 stephen.hinds@oadby-wigston.gov.uk Chris Raymakers (Head of Finance, Revenues and Benefits) (0116) 257 2891 chris.raymakers@oadby-wigston.gov.uk
Corporate Priorities:	Effective Service Provision (CP2) Wellbeing for All (CP5)
Vision and Values:	Accountability (V1) Teamwork (V3) Customer Focus (V5)
Report Implications:-	
Legal:	There are no implications arising from the report.
Financial:	The implications are as set out in the report.
Corporate Risk Management:	Decreasing Financial Resources (CR1) Reputation Damage (CR4) Increased Fraud (CR10)
Equalities and Equalities Assessment (EA):	There are no implications arising from the report. EA not applicable.
Human Rights:	There are no implications arising from the report.
Health and Safety:	There are no implications arising from the report.

Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	The report is satisfactory.
Deputy Monitoring Officer:	The report is satisfactory.
Consultees:	None.
Background Papers:	None.
Appendices:	None.

1. Introduction

- 1.1 As part of the income collection function, the Council operates a comprehensive debt collection process which covers all service areas of the Authority.
- 1.2 The Council uses three principal methods for collecting these debts:
- (i) Direct contact with the debtor by letter or telephone;
 - (ii) Referring the debt to a collection agent; and
 - (iii) Legal action through the courts.

2. Council Tax and Non-Domestic (Business) Rates

- 2.1 Council Tax and Non-Domestic (Business) Rates (NDR) make up the largest debits within the income collection area. These income streams have a combined annual debit to collect of around £40 million.
- 2.2 At 31 December 2018, the arrears in this area were:

Service	Council Tax	NDR
Previous Years Arrears	£	£
Arrears at 30 September 2018	1,269,605	750,158
Arrears at 31 December 2018	1,171,300	733,000

- 2.3 Council Tax has seen a reduction in arrears of around 8% in the second quarter of the year. NDR arrears have also fallen during this quarter by around £17,000 (2%) which is a reversal of the last quarter's trend.
- 2.4 At the end of the third quarter 85.47% (target of 87.2%) of the Council Tax debit and 82.03% (target of 82.29%) of the Business Rates debit had been collected. Both taxes are slightly behind target for this stage of the year. This has been due to a combination of staff vacancies and sickness absence. However recruitment has been completed to a vacant post in the recovery section and a further Revenues and Benefits Officer has come in on a temporary basis to assist with bringing the workload up to date.

3. Overpayments of Housing Benefit

- 3.1 Recouping the overpayment of housing benefit has become an increasing problem for Council's across the country over the last few years. Oadby and Wigston have, since 2015, brought this under control. The majority of cases have been collected from ongoing benefit;

however, where the claimant is no longer receiving or is entitled to housing benefit, the debt is passed over to a debt collection team.

3.2 Historically, the Council has raised almost 12,500 overpayment invoices totalling over £3.8million of debt, successfully collecting £3.1million.

3.3 The total still outstanding is listed below by age:

	Days Overdue				
	£	£	£	£	£
	0-90	90-182	182-365	Over 365	Total
30 September 2018 (£)	60,201	26,041	78,362	482,917	647,521
31 December 2018 (£)	53,353	48,815	57,769	494,761	654,697

The total outstanding at the end of December has risen slightly, The collection team has suffered a period of long term sickness during this quarter as well as a member of the team taking up a new position in the rent collection team. The team is now back up to full strength which will enable the Council to keep this debt in check.

3.4 The Universal Credit (UC) system will have an impact on the recovery of these debts. As debtors migrate from Housing Benefit to UC the Council will no longer be able to collect overpayments from on-going benefit so alternative methods of collection will have to be used. This will put pressure on collection resources as more cases are dealt with directly with the debtor. This has not yet made a significant impact on collection however this is likely to change when full migration takes place in the future.

4. Housing Rents

4.1 The Council runs a housing stock of approximately 1,200 dwellings with a total collectable debit of £4,780,000 of which £2,600,000 is paid for by Housing Benefit.

4.2 Rent arrears are split between current and former tenant. Arrears have risen since year end, however this would be expected because of the collection profile with the four non-collected (free weeks) toward the end of the year.

	Current Tenants	Former Tenants	Total
	£	£	£
Arrears at 30 September 2018	183,420	117,345	300,765
Arrears at 31 December 2018	198,030	122,685	320,715

4.3 From 13 June 2018, the Council moved to UC 'full service' which will see the gradual migration of working age tenants from Housing Benefit to the new UC system. It is anticipated that that this will put pressure on this particular collection area as tenants may no longer get their rent paid automatically. The Council has taken measures to face up to these increases and reviewed the structure of this team. A new member of staff was recruited in December and interim help has also been bought in until the end of March. The structure will remain under review during the remainder of the financial year at which time a decision will be made about the size of the team going forward.

5. Miscellaneous Sundry Debts

5.1 The current position relating to collection of outstanding invoices is summarised below:

	Days Overdue					
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
	0-90	91-180	181-365	366-730	731+	Total
30 September 2018	95,634	22,527	19,851	38,360	126,785	303,247
31 December 2018	42,425	54,486	25,350	39,774	127,659	289,694

5.2 During the third quarter of 2018/19, miscellaneous debt fell by £14,000. Of the total debt of £290,000, approximately £133,000 (109 accounts) is actively managed through instalments.

5.3 In this quarter:

- The Council has referred six cases to the collection agent;
- Write-offs totalling £2,042 were made under the financial regulations by the Director of Finance & Transformation / Section 151 Officer;
- Seven accounts have completed their arrangements to pay; and
- A Key Performance Indicator (KPI) of the Council is the proportion of debt over 90 days old as a percentage of the total estimated annual debit. At 30 September 2018, this percentage is 17.9% (the target for 2018/19 being under 15%).
- The figure is above the target at present; however this has been caused by the money due to be recovered in time relating to the Canal Street CPO project. Once a resolution to the payments of these debtors has been found the section is confident that the target of 15% will once again be hit.

6. Write-Off of Bad Debt

6.1 There are no write-offs to be considered by Members at this Committee.