



Policy, Finance and Development Committee	Tuesday, 23 July 2019	Matter for Information
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Report Title:

Collection and Write-Off of Miscellaneous Debtors (Q4 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 2018/19 and for Members to approve any write-off of uncollectable debts as per the Council's Financial Regulations.
Report Summary:	In what has been a challenging year for the debt recovery teams the performance in the final quarter of 2018/19 has been strong. The year-end figures show that Council Tax Collection has not met its in year collection target, however this is a reflection of the overall national trend. The introduction of Universal Credit has been particularly challenging for the Rent team who are working hard with the DWP and tenants to keep arrears at an acceptable level.
Recommendation(s):	That the contents of the report be noted.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	Stephen Hinds (Deputy Chief Executive) (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 Objectives:	Building, Protecting and Empowering Communities (CO1) Growing the Borough Economically (CO2) Providing Excellent Services (CO3)
Vision and Values:	Accountability (V1) Teamwork (V3) Customer Focus (V5)
Report Implications:-	
Legal:	There are no implications arising from this report.
Financial:	The implications are as set out at paragraphs 2 to 6 of this report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Increased Fraud (CR10)
Equalities and Equalities Assessment (EA):	There are no implications arising from this report. EA not applicable
Human Rights:	There are no implications arising from this report.

Health and Safety:	There are no implications arising from this report.
Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	The report is satisfactory.
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 March 2019, the arrears in this area were:

Service	Council Tax	NDR
Previous Years Arrears	£	£
Arrears at 31 December 2018	1,171,300	733,000
Arrears at 31 March 2019	1,028,423	534,332

- 2.3 Council Tax has seen a reduction in arrears of around 12% in the last quarter of the year. NDR arrears have also fallen during this quarter by around £199,000 (27%) which continues the good performance in the last quarter.
- 2.3 At the end of the fourth quarter 97.87% of the Council Tax debit and 98.66% of the Business Rates debit had been collected. This was against a target of 98.5% for both taxes. As has been reported to previous Committees, the section has been subject to a number of vacancies and long term absences during the year which has hampered collection. Both these rates are down on 2017/18 performance, however, a similar picture is reflected across the Country where the average Council Tax collection rate for Shire Districts across England was 97.9%. NNDR collection performed well compared to the national average for Shire District collection which was 98.4% for 2018/19.

3. Overpayments of Housing Benefit

- 3.1 Recouping the overpayment of housing benefit has become an increasing problem for Councils 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 the recovery team.
- 3.2 Historically, the Council has raised almost 12,500 overpayment invoices totalling over £3.8million of debt, successfully collecting £3.2million. In 2018/19 debt levels in overpayments have decreased from around £665,000 to £634,000 a drop of £31,000 (5%). This represents excellent performance at a time when similar authorities are seeing this debt increase. This strong performance has allowed savings to be made of around £70,000 which included a reduction in bad debt provision.
- 3.3 The total still outstanding is listed below by age:

	Days Overdue				
	£	£	£	£	£
	0-90	90-182	182-365	Over 365	Total
31 December 2018	53,353	48,815	57,769	494,761	654,697
31 March 2019	37,292	42,422	64,000	489,829	633,543

- 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 during the year; however there has been a downturn in this during the final quarter assisted by the non-collectable weeks at the end of March.

	Current Tenants	Former Tenants	Total
	£	£	£
Arrears at 31 December 2018	198,030	122,685	320,715
Arrears at 31 March 2019	155,360	124,892	280,252

- 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. Over the last financial year the income team consisted of 3 Income Officers, one of which was employed via an agency. This interim arrangement has now ended however, an apprentice is to be recruited to keep the team at its previous level and provide a sustainable staffing structure going forward.

5 Miscellaneous Sundry Debts

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

	Days Overdue					
	£	£	£	£	£	£
	0-90	91-180	181-365	366-730	731+	Total
31 December 2018	42,425	54,486	25,350	39,774	127,659	289,694
31 March 2018	48,483	12,111	33,246	40,985	127,687	262,512

5.2 During the third quarter of 2018/19, miscellaneous debt fell by £27,000. Of the total debt of £263,000, approximately £79,000 (109 accounts) is actively managed through instalments.

5.3 In this quarter:

- The Council has referred nine cases to the collection agent;
- Write-offs totalling £644 were made under the financial regulations by the Section 151 Officer;
- Two 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 was 15.5% (the target for 2018/19 being under 15%).

6. Write-Off of Bad Debt

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