



**Policy, Finance and
Development
Committee**

**Tuesday, 26
November 2019**

**Matter for
Information**

**Report Title: Collection and Write-Off of Miscellaneous Debtors
(Q2 2019/20)**

Report Author(s): Chris Raymakers (Financial Services Manager)

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 quarter one of 2019/20 and for Members to approve any write-off of uncollectable debts as per the Council's Financial Regulations.
Report Summary:	The current economic climate continues to make debt collection a challenging exercise. Previous years arrears for both Council Tax and business Rates are being eased down but Universal Credit is now having a greater impact on rent arrears as more tenants migrate away from legacy benefits.
Recommendation(s):	That the contents of the report be noted.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	Clive Mason (Chief Financial Officer) (0116) 257 2736 clive.mason@oadby-wigston.gov.uk Chris Raymakers (Financial Services Manager) (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 £44 million.
- 2.2 At 30 September 2019, the arrears in this area were:

Service	Council Tax	NDR
Previous Years Arrears	£	£
Arrears at 30 June 2019	1,467,943	682,366
Arrears at 30 September 2019	1,372,530	684,985

- 2.3 Council Tax has seen a reduction in arrears of around £95000 (6.5%) in the second quarter of the year. NDR arrears have risen during this quarter by around £2,000 (0.3%), however this has been due to £23,000 of new liabilities being raised against the previous year
- 2.3 At the end of the second quarter 57.31% of the Council Tax debit had been collected against a target of 58.50%. 55.8% of the Business Rates debit had been collected (Target 55.92%). There is an annual a target of 98.5% for both taxes. It has been noticeable over the last five years that Council Tax in particular has become more difficult to collect as Council Tax Support has bought more people into the taxpaying bracket. This is reflected across the Country where the average Council Tax collection rate for Shire Districts across England was 97.9% in 2018/19.

3. Overpayments of Housing Benefit (Revenues and Benefits)

- 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 14,000 overpayment invoices totalling over £4.2million of debt, successfully collecting £3.6million. In 2019/20 debt levels in overpayments have increased to around £648,000 from £645,000. The figure has already started to be reduced again in July and is currently within the target set in the Council's KPIs for the year.

- 3.3 The total still outstanding is listed below by age:

	Days Overdue				
	£	£	£	£	£
	0-90	90-182	182-365	Over 365	Total
30 June 2019	57,092	25,438	79,886	482,629	645,045
30 September 2019	52,755	39,511	55,428	499,810	647,504

- 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 £4,730,000 of which £2,440,000 is paid for by Housing Benefit.
- 4.2 Rent arrears are split between current and former tenants. Current tenant arrears have risen during the second quarter and are currently 5.0% of the annual debit

	Current Tenants	Former Tenants	Total
	£	£	£
Arrears at 30 June 2019	192,840	127,499	320,339
Arrears at 30 September 2019	241,604	131,598	373,202

- 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 has always been anticipated that this will put pressure on this particular collection area as tenants may no longer get their rent paid automatically. At the end of quarter one the amount of arrears which related to UC claimants totalled £85,000. The Council requests direct payments from the Universal Credit Team at the DWP whenever appropriate however delivery of the payments by the government has proved slow and inconsistent, directly causing an upturn in arrear. The income collection team are working with the DWP to manage this with a substantial amount of direct payments being received this month. It is expected that the new structure in place will show a down turn in arrears over the third quarter.

- 4.4 Toward the end of the last quarter the new income apprentice commenced work taking on the administration duties and some low level debts allowing that the experienced income officers can focus on the higher value debts.

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 March 2019	34,599	9,620	48,454	19,119	143,761	255,553
30 June 2019	60,204	12,885	20,472	39,493	148,789	281,843

- 5.2 During the second quarter of 2019/20, miscellaneous debt rose by £26,000 mainly due to an increase in recently raised debts. Of the total debt of £256,000, approximately £109,000 (125 accounts) is actively managed through instalments. Of this total £49,000 relates to overpayments of housing benefit collected through the sundry debts system.

- 5.3 In this quarter:

- The Council has referred four cases to the collection agent;
- £224 was written-off under the financial regulations by the Section 151 Officer;
- Seven accounts have completed their arrangements to pay; and
- A local performance indicator for the department is the proportion of debt over 90 days old as a percentage of the total estimated annual debit. At 30 September 2019, this percentage was 19% (the target for 2019/20 being under 15%).

6. Write-Off of Bad Debt

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