



<b>Policy, Finance and Development Committee</b>	<b>Tuesday, 10 March 2020</b>	<b>Matter for Information</b>
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**Report Title:**

**Collection and Write-Off of Miscellaneous Debtors (Q3 2019/20)**

**Report Author(s):**

**Chris Raymakers (Financial Services Manager)**

<b>Purpose of Report:</b>	To inform Members of the levels of outstanding debt owed to the Council at the end of quarter three of 2019/20 and for Members to approve any write-off of uncollectable debts as per the Council's Financial Regulations.
<b>Report Summary:</b>	The current economic climate continues to make debt collection a challenging exercise. Despite this there has been positive progress made in both Council Tax and Housing Rent arrears which should continue in the fourth quarter while other areas have stayed relatively stable. Prior to year end a thorough review of miscellaneous sundry debtors will take place to review the risk associated with this area.
<b>Recommendation(s):</b>	<b>A. That the contents of the report be noted; and B. That Members approve the write-off as detailed at paragraph 6 of this report.</b>
<b>Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):</b>	Clive Mason (Chief Financial Officer / Section 151 Officer) (0116) 257 2681 <a href="mailto:clive.mason@oadby-wigston.gov.uk">clive.mason@oadby-wigston.gov.uk</a>  Chris Raymakers (Financial Services Manager) (0116) 257 2891 <a href="mailto:chris.raymakers@oadby-wigston.gov.uk">chris.raymakers@oadby-wigston.gov.uk</a>
<b>Corporate Objectives:</b>	Building, Protecting and Empowering Communities (CO1) Growing the Borough Economically (CO2) Providing Excellent Services (CO3)
<b>Vision and Values:</b>	Accountability (V1) Teamwork (V3) Customer Focus (V5)
<b>Report Implications:-</b>	
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.
<b>Statutory Officers' Comments:-</b>	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
<b>Consultees:</b>	None.
<b>Background Papers:</b>	None.
<b>Appendices:</b>	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 31 December 2019, the arrears in this area were:

Service	Council Tax	NDR
Previous Years Arrears	£	£
Arrears at 30 September 2019	1,372,530	637,426
Arrears at 31 December 2019	1,292,184	620,516

- 2.3 Council Tax has seen a reduction in arrears of around £80,000 (5.9%) in the third quarter of the year. NDR arrears have also fallen during this quarter by around £17,000 (2.7%).
- 2.3 At the end of the third quarter 85.20% of the Council Tax debit had been collected against a target of 87.2%. 82.29% of the Business Rates debit had been collected (Target 81.32%). There is an annual 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 brought 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 £4.3million of debt, successfully collecting £3.7million. In the third quarter of 2019/20 debt levels in overpayments have decreased by around £2,000. However the overall risk to the Council has increased slightly as despite the overall drop debts aged over 365 days have increased.
- 3.3 The total still outstanding is listed below by age:

	Days Overdue				
	£	£	£	£	£
	0-90	90-182	182-365	Over 365	Total
30 September 2019	52,755	39,511	55,428	499,810	647,504
31 December 2019	37,802	39,313	53,978	514,799	645,892

- 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 migration is currently happening gradually as claimants circumstances change however the date for final migration of all claims with the Council has not yet been set.

#### 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 tenant. Current tenant arrears have fallen during the third quarter and are currently 4.3% (5% at end of Q2) of the annual debit

	Current Tenants	Former Tenants	Total
	£	£	£
Arrears at 30 September 2019	241,604	131,598	<b>373,202</b>
Arrears at 31 December 2019	206,792	115,082	<b>337,513</b>

- 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 three the amount of arrears which related to UC claimants totalled £78,000. 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 debt.

#### 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
30 September 2019	60,204	12,885	20,472	39,493	148,789	<b>281,843</b>
31 December 2019	40,005	23,933	30,440	38,723	154,650	<b>287,751</b>

5.2 During the third quarter of 2019/20, miscellaneous debt rose by £6,000. Of the total debt of £288,000, approximately £116,000 (124 accounts) is actively managed through instalments. The Council has secured £33,000 as charges on the debtor's property

5.3 Of this total £48,000 relates to overpayments of housing benefit collected through the sundry debts system.

5.4 In this quarter:

- The Council has referred six cases to the collection agent;
- One debt of £465 has been written off under the financial regulations by the Section 151 Officer;
- Four 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 31 December 2019, this percentage was 21.2% (the target for 2019/20 being under 15%).

## 6. Write-Off of Bad Debt

6.1. There is one write off request this quarter.

- Café Asia Trading Limited (Debtor No 130466), amount to write off £6,572.80 plus VAT.

The company was subject to a notice under S59 Building Act 1984 in 2016 due to defective drainage. The work was carried out and costs billed, shortly after which the company went into liquidation and was dissolved. The Council has been unable to carry out any recovery of the money.