

Leicester
City Council

WARDS AFFECTED
All Wards

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:
Housing Scrutiny
Cabinet

21st August 2003
1st September 2003

COLLECTION OF WATER CHARGES

Report of the Corporate Director of Housing

1. Purpose of Report

- 1.1 To determine whether to continue with the collection of water rates and sewerage charges (water charges) from Council tenants on behalf of Severn Trent Water. (STW).

2. Summary

- 2.1 The Council collects water charges from Council tenants on behalf of STW. Very few Councils collect water charges. Consideration of whether to continue with this role involves the Council's interaction with tenants, staff time and finance.
- 2.2 For all 24,000 tenants the Council has to collect payments separately from rent, keep a separate account, chase arrears and take legal action for water charges as well as, but separately from rent. There are 450,000 transactions each year.
- 2.3 To stop the arrangement from 1st April 2004, notification is required by 1st October 2003. Tenants will be able to pay STW weekly. A review of staff and other costs/income would be required to reflect the reduced workload.

3. Recommendations

- 3.1 That Cabinet determine whether to stop collection of water rates and sewerage charges from Council tenants on behalf of STW from 1st April 2004.

4. Financial and legal Implications

- 4.1 The agreement with STW for the collection of water rates and sewerage charges provides for an agency fee of 7¼% of the collectable water charges and an allowance for bad debts of 2½%. For the last year this amounted to £392k in total.
- 4.2 It is estimated that £200k of water charge debt will not be recovered each year, and has to be borne by the Council under present arrangements.

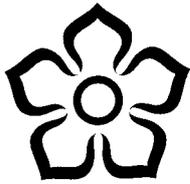
- 4.3 Taking these two factors together, the Council currently receives net income of £192k in the Housing Revenue Account. However the Council incurs collection costs which are estimated to be as much as the net income. The costs of cashier costs at Welford House are £39K and, if water charges are no longer collected, this cost would be borne by the general fund.
- 4.4 In addition, a considerable amount of staff time is involved in chasing debts as set out in the supplementary information. This cost is not easy to quantify and it is suggested if water charges are no longer collected a review is undertaken of staff and other costs and whether more rent income could be collected, to save as a minimum £153K , being the net loss of income.
- 4.5 STW have indicated that they may be prepared to renegotiate the agreement which could make continuation with the collection of water charges more financially favourable.
- 4.6 Termination of the agreement requires STW to pay the Council a further 2.5% of the previous year's collectable debit – approximately £100K to cover bad debts. (Mike Forrester – Corporate Director of Housing)

5. Report Author

5.1 Mike Forrester
 Corporate Director of Housing
 Ext.6800

DECISION STATUS

Key Decision	No
Reason	N/A
Appeared in Forward Plan	No
Executive or Council Decision	Executive (Cabinet)



Leicester
City Council

**WARDS AFFECTED
ALL WARDS**

**FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:
Housing Scrutiny
Cabinet**

**21st August 2003
1st September 2003**

COLLECTION OF WATER CHARGES

SUPPORTING INFORMATION

Background

- 1.1 Prior to 1st October 2001, water rates was treated as a facility charge of the gross rent and consequently non-payment resulted in proceedings being taken for possession under Section 83 of the Housing Act 1985.
- 1.2 The terms of the agreement with STW, to collect the water rates and sewerage charges on their behalf are as follows:
 - a) That the City Council would receive 7.25% of the collectable (i.e. net of any void property) water and sewerage debit, on a yearly basis.
 - b) That the City Council would also receive a further fixed allowance of 2.5% for the cost of writing off uncollectable amounts (bad debt provision). This 2.5% figure is based on our own calculation of the average annual amount of water/sewerage charges, prior to separate data on water charges being available.
 - c) STW receive payments every six months (1st July and 1st January) for the collectable debit. Each six month payment is paid in the middle of the six month period i.e. the payment covering 1st April to 30th September is made on 1st July. Estimates are made of total debit and void levels for the advance part of the payment, and an adjustment made to the following payment to reflect actual levels.
 - d) The agreement is on a yearly basis (financial year) and can be terminated by either party giving six months Notice. By not giving any Notice, the agreement is continuous for another financial year under the same arrangements.

Current Procedure

- 1.3 All Council tenants are issued each year with a payment card which has a payment grid for water rates and sewerage charges as well as a separate grid for the payment of rent. The card has to be put through the cash receipting system for each of these transactions.
- 1.4 As long as tenants pay their water charges on time, the Councils costs are mainly cashier costs. However, 53.6% of all tenants are currently in arrears for water charges, representing around 13,000 tenants.
- 1.5 The Council chases arrears of water charges by sending reminder letters but a tenant cannot be evicted for non payment of water rates, so the only redress is court action leading to attachment to earnings / distraint of goods. The legal and staff costs in taking matters to Court far outweigh the sums involved. Bearing in mind that the average water charges are £167 per annum, it would be several years before the debt would exceed the costs of court action.
- 1.6 Recently an attempt was made to “sell” some debt to a debt collection agency. The outcome of this was not successful. It cost the Council £7,374 to collect £4,741 in respect of 633 tenants.

Factors to consider.

- 1.7 There are 3 main factors to consider in this matter:
 - the Councils interaction with tenants
 - staff time collecting the debt
 - financial implications, set out in the summary report.

Council’s interaction with tenants

- 1.8 Collection of water charges from 24k tenants involves the Council in a financial relationship which
 - is convenient to those who pay at local offices
 - can appear negative to those who don’t pay and are being chased for payment by the Council.
- 1.9 Those tenants who do pay, whether by direct debit or the Councils offices, would be able to continue their direct debit or pay at the post office if STW collected direct.
- 1.10 The majority (53.6%) of tenants don’t pay water rates on time or at all. A high proportion are on full HB and, were it not for water rates, there would be no money owed to the Council, and no reminder letters from the Council.
- 1.11 Tenants would be able to continue to pay weekly although SWT would prefer monthly.

Staff time collecting the debt

1.12 To collect water rates and sewerage charges from Council tenants each year the Council has to

- account for all payments (£460K per annum)
- identify tenants in arrears
- send reminders (twice) to 13,000 tenants
- seek legal advice
- take tenant to court for non payment in extreme cases
- prepare annual accounts
- calculate payments to send to STW
- justify we have made sufficient effort to collect to auditors.

1.13 The time taken to deal with the above could be applied to chasing rent arrears which have a greater chance of recovery.

3. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph Within Supporting information	References
Equal Opportunities	No		
Policy	No		
Sustainable and Environmental	No		
Crime and Disorder	No		
Human Rights Act	No		
Elderly/People on Low Income	No		

4. Background Papers – Local Government Act 1972

4.1 File in Housing Department.

5. Consultations

5.1 Consultations have taken place with Directors Board and Leicester Federation of Tenants Associations.

6. Aims and Objectives

6.1 The aim of the Housing Service is a decent home for every citizen. This report contributes to objective 6 “to enable citizens of Leicester to stay in their homes as long as these homes continue to meet their needs”, by improving the efficiency of the Housing Management Service.

7. Report Author

7.1 Mike Forrester
Corporate Director of Housing
Ext.6800