
Report To:	Policy & Resources Committee	Date:	18 September 2018
Report By:	Chief Financial Officer	Report No:	FIN/88/18/AP/FMacI
Contact Officer:	Fiona Maciver	Contact No:	01475 712904
Subject:	Debt Recovery Performance 2017/18		

1.0 PURPOSE

1.1 The purpose of this report is to advise Committee of the Council's Debt Recovery performance during 2017/18. The Financial Regulations stipulate that a report on Debt Recovery performance for the preceding financial year be submitted annually to the Policy & Resources Committee.

2.0 SUMMARY

- 2.1 The current contract for recovery of Council Tax and NDR took effect from 1 April 2018 initially for 2 years with the option to extend on a yearly basis up until 31 March 2022. The new contract includes the collection of Council Tax, Non Domestic Rates, Sundry Debtors, Housing Benefit Overpayments and Parking Charge Notices.
- 2.2 The main focus of the in-house Debt Recovery Team continues to be Council Tax, however more rigorous activity is being applied to the recovery of Non Domestic Rates Sundry Debts (including Commercial rents), and Housing Benefit Overpayments.
- 2.3 Collection levels for 2017/18 in respect of Council Tax accounts passed to the Council's Debt Partners increased by £132,000. A breakdown of the categories of debt can be seen at Appendix 2. The contractor continues to be an effective partner both in terms of their collection results to date and also in the ease of communication with them. The contractor continues to operate from an office in Cathcart Street and is currently expanding the number of staff working from the location to include a Sheriff Officer and a witness. The service allows customers to make payments and answer basic enquires.
- 2.4 Despite another challenging year due to the continuing difficult economic climate and impact of Welfare Reform changes, the Council Tax In year Collection level increased by 0.2% to 95.5%, the highest to date. This is a significant achievement and can be attributed to the hard work of the Council's Revenues Team with support from Customer Services and the Benefits Team.
- 2.5 Payment by Direct Debit has remained high, 78.5% of in year receipts being received by this method of payment. As the Council's Digital Strategy is rolled out, it is hoped that more people will take advantage of paying by direct debit when they can set up themselves online at home. Direct Debit continues to be promoted as the first choice of payment method.
- 2.6 The collection level for Non Domestic Rates was 95.77%, an increase of 1.05% from 2016/17. In addition Debt Recovery for earlier years increased by £209,000 (See App 2). This significant increase can be attributed to persistence of the Debt Recovery team and our Debt Recovery Partner.
- 2.7 As reported to the Committee in November 2016, changes to the Council Tax regime were introduced in April 2017 which increased annual bills for many Band E and above households. To date there has been no obvious impact on collection levels since this change was introduced nor with the volume of recovery notices being issued for properties in Band E and above

3.0 RECOMMENDATIONS

- 3.1 That the Committee welcomes the Council's continued good Debt Recovery performance in 2017/18.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The current contract Debt Recovery Partnership took effect from 1 April 2018, initially for 2 years with the option to extend on a yearly basis up until 31 March 2022. The new contract includes Council Tax, Non Domestic Rates, Sundry Debtors, Housing Benefit Overpayments and Parking Charge Notices.
- 4.2 The Revenues Management Team meet regularly with the Debt Partner as well as communicating regularly by telephone and email to ensure that there are clear lines of responsibility and that income is maximised as far as possible and that the best solution is found for each customer as an individual. Operational meetings and discussions also take place as and when required. The Debt Partner are also very receptive to looking at fresh initiatives and ways of working which has contributed towards the increase in collection levels for Council Tax. One example of this is conducting evening home visits to Council Tax debtors with high balances owing who live in high banded properties.

5.0 2017/18 PERFORMANCE

- 5.1 The Revenues Team based in the Municipal Buildings improved their in year Council Tax collection figure from 2016/17 and achieved the Council's best ever in year collection figure of 95.5%. Considering the continuing difficult economic climate and the Welfare Reform changes, this is a commendable effort. The Revenues processing team made considerable contribution to this best ever In Year collection level by processing exemptions, discounts effectively and managing the billing process timeously whilst the Debt Recovery team maintained their high level of performance from prior years.
- 5.2 Prior year debt can be difficult to collect and becomes increasingly difficult with the passage of time. Due to the concerted efforts of the Debt Partner and the Council's Debt Recovery Team, prior year collections increased during 2017/18 to £1.386m which is an increase of £86k from 2016/17 and is a significant achievement. Figures at the end of March 2018 showed that the Council has collected 96.5% of all Council Tax billed since 1993.
- 5.3 The collection rate for Non Domestic Rates was 95.77%, an increase of 1.05% since 2016/17; The Rates collection level can vary greatly month to month depending on the volume of and value of bills issued.
- 5.4 The Council is currently using the Debt Partner to pursue outstanding Parking Fines and the collection of these is improving each month with an average collection level of 89.35% across all PCNs raised. Robust procedures are now in place to ensure that revenue to the Council is maximised. This involves employment traces, Earnings and Bank arrestments being lodged against individuals that fail to agree repayment proposals with the Debt Recovery Partner.
- 5.5 There were 8 sequestration actions raised in 2017/18 which were raised for a combination of council tax, rates and commercial rent. These sequestrations have resulted in payments of £26,531 being made. The number of sequestrations has been maintained from last year. Cases identified for sequestration are carefully selected to ensure that emphasis continues to be on those debtors who have clear equity on their homes and should be in a position to pay. The process in place for sequestration ensures that this is a last resort diligence and only used once all other means for recovery have been exhausted. This ensures that the customer has every opportunity to engage with the Council or the Debt Partner to make arrangements. Cases involving customers who have failed to engage are referred to an Insolvency Practitioner, who will attempt to contact the customer by letter in relation to their debt.
- 5.6 These letters appear to have the desired effect of encouraging customers to get in touch and make repayment arrangements which is beneficial to the customer as it avoids being in effect made bankrupt and saves the Council around £800 in legal costs for each case that does not progress to sequestration.

- 5.7 Payment by Direct Debit has remained high at 78.5% of in year receipts being received by this method of payment. As the Council's Digital Access Strategy is rolled out, it is hoped that more people will take advantage of paying by direct debit when they can set this up online. Direct Debit continues to be promoted as the first choice of payment method.
- 5.8 Officers are aware of the social and financial inclusion issues in Inverclyde and continue to work closely with Advice First with the view to facilitate as many arrangements with debtors before it reaches the stage that diligence is applied. Benefit and Council Tax Reduction take up is also encouraged to ensure that entitlement is maximised as far as possible although it should be noted that the launch of Universal Credit Full Service in Inverclyde in November 2016 has had an impact.
- 5.9 The Debt Recovery Team continues to set up arrangements directly to avoid passing debtors across to the Sheriff Officer in certain circumstances, such as those in debt for the first time. This can reduce costs to the debtors.
- 5.10 A statement of the Debt Partnership performance is set out in Appendix 1 and Appendix 2. The Debt Partners collected £2.467 million in Council Tax in 2017/18 which is £132,000 more than 2016/17.
- 5.11 The Debt Recovery Team has continued to work closely with the DWP to manage direct deductions from benefits for customers with arrears who are in receipt of certain benefits. This approach ensures that individuals will see a reduction in their debt rather than being caught in a cycle where debt builds up year on year. It should be noted that the move to Universal Credit has had an adverse impact on the level of deductions being made from customer's benefits. Ongoing discussions are taking place with the DWP to streamline the process to ensure that customers can continue to benefit from the scheme.

6.0 OVERALL POSITION OF COUNCIL DEBT AS AT 31 MARCH 2018

- 6.1 The gross debt as at 31 March 2018 is £22,746 million as shown in Appendix 3. There is a bad debt provision of £16.948 million, leaving a net debt of £5.798 million. It should be noted that as at 31st March 2018, the Council had collected 96.5% of all Council Tax billed an increase of 0.1% from 2016/17.
- 6.2 Appendix 4 provides more detail behind the figures and highlight new debts raised, payments received and debts written off. All Bad Debt provisions have been calculated in accordance with Council policies and reconcile to the 2017/18 Accounts.

7.0 PLANS FOR 2018/19

- 7.1 The Council's Revenues Management and Debt Recovery Team together with the Council's Debt Management Partner will continue to pursue the special initiatives that are in place such as visiting properties in the evening where there is substantial debt in a high banded property together with conventional recovery methods to ensure that resources are appropriately directed to specific areas of debt ensuring income maximisation. In line with the Council's Digital Strategy and Customer Services Improvement Action plan, there are plans to modernise Council Tax Administration through:
- the implementation later this year of MyAccount which will allow customers to view their account on line without contacting the Council
 - Software has been purchased that will allow customers to report changes in circumstances online which can automatically update the Revenues processing system, Northgate, reducing the need for manual processing.
- 7.2 Advanced discussions have taken place to locate a member of staff from Alex M Adamson within the Debt Recovery Team to undertake joint recovery initiatives to increase revenue to the Council.

8.0 IMPLICATIONS

8.1 Finance

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (if Applicable)	Other Comments

Financial – In 2017/18 the Council exceeded its Council Tax prior year's collection budget by £96,000. The extra income generated helps toward assisting the Council in balancing its budgets.

8.2 Legal – There are no legal implications arising from this report.

8.3 Human Resources – There are no HR implications arising from this report.

8.4 Equalities - Debt Recovery Processes are designed to achieve adherence to the Equalities agenda by ensuring close liaison between Debt recovery officers and the Benefits section. In addition by providing a wide range of payment methods and choice of payment dates this makes it easier for everyone to make payments to the Council.

8.5 Repopulation – There are no repopulation issues arising from this report.

9.0 CONSULTATION

9.1 None

10.0 BACKGROUND

10.1 None

Analysis of Debt Partner Performance 2017/18

Council Tax

Financial Year	Payments Received
	£000's
1993/94	1
1994/95	1
1995/96	4
1996/97	5
1997/98	13
1998/99	8
1999/00	12
2000/01	14
2001/02	18
2002/03	15
2003/04	15
2004/05	18
2005/06	19
2006/07	22
2007/08	29
2008/09	32
2009/10	47
2010/11	52
2011/12	58
2012/13	69
2013/14	108
2014/15	147
2015/16	206
2016/17	473
2017/18	1081
Total	2467

Non Domestic Rates

Financial Year	Payments Received
	£000's
1993/94	0
1994/95	0
1995/96	0
1996/97	0
1997/98	0
1998/99	0
1999/00	0
2000/01	0
2001/02	0
2002/03	1
2003/04	0
2004/05	0
2005/06	0
2006/07	0
2007/08	1
2008/09	0
2009/10	0
2010/11	6
2011/12	1
2012/13	1
2013/14	13
2014/15	9
2015/16	30
2016/17	53
2017/18	302
Total	417

Appendix 2

Debt Recovery Partnership Performance
Comparison 2016/17 & 2017/18

	2016/17 £000's	2017/18 £000's	Difference £000's	%
Council Tax	2335	2467	132	5.65%
Non Domestic Rates	208	417	209	100.48%
Total	2543	2884	341	13.41%

Appendix 3**Movement****£'000****Position
31/03/2018
£'000****Position
31/03/2017
£'000****Council Tax**

Gross Debt	16,327	16,298	29
Less: Bad Debt Provision	13,764	13,962	(198)
Net Debt	<u>2,563</u>	<u>2,336</u>	<u>227</u>

Sundry Debt

Gross Debt	813	895	(82)
Less: Bad Debt Provision	207	264	(57)
Net Debt	<u>606</u>	<u>631</u>	<u>(25)</u>

Industrial & Commercial Rent

Gross Debt	105	83	22
Less: Bad Debt Provision	28	33	(5)
Net Debt	<u>77</u>	<u>50</u>	<u>27</u>

Statutory Additions

Gross Debt	2,949	2,925	24
Less: Bad Debt Provision	2,949	2,925	24
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>

Long Term Debtors

Gross Debt	2,552	2,637	(85)
Less: Bad Debt Provision	0	0	0
Net Debt	<u>2,552</u>	<u>2,637</u>	<u>(85)</u>

Overall Totals

Gross Debt	22,746	22,838	(92)
Less: Bad Debt Provision	16,948	17,184	(236)
Net Debt	<u>5,798</u>	<u>5,654</u>	<u>144</u>

2017/18 Debtor MovementsAppendix 4

	Opening Position £'000	Additions £'000	Payments/ Reliefs £'000	Net Write-Offs £'000	Closing Position £'000	
<u>Council Tax</u>						
	Gross Debt	16,298	35,939	(35,702)	(208)	16,327
Less:	Bad Debt Provision	13,962	10		(208)	13,764
	Net Debt	<u>2,336</u>	<u>35,929</u>	<u>(35,702)</u>	<u>0</u>	<u>2,563</u>
<u>Sundry Debt</u>						
	Gross Debt	895	6,366	(6,399)	(49)	813
Less:	Bad Debt Provision	264	(8)		(49)	207
	Net Debt	<u>631</u>	<u>6,374</u>	<u>(6,399)</u>	<u>0</u>	<u>606</u>
<u>Industrial & Commercial Rent</u>						
	Gross Debt	83	808	(785)	(1)	105
Less:	Bad Debt Provision	33		(4)	(1)	28
	Net Debt	<u>50</u>	<u>808</u>	<u>(781)</u>	<u>0</u>	<u>77</u>
<u>Statutory Additions</u>						
	Gross Debt	2,925	333	(309)		2,949
Less:	Bad Debt Provision	2,925	24			2,949
	Net Debt	<u>0</u>	<u>309</u>	<u>(309)</u> ²	<u>0</u>	<u>0</u>
<u>Long Term Debtors</u>						
	Gross Debt	2,637	98	(183)	0	2,552
Less:	Bad Debt Provision	0				0
	Net Debt	<u>2,637</u>	<u>98</u>	<u>(183)</u>	<u>0</u>	<u>2,552</u>
<u>Overall Totals</u>						
	Gross Debt	22,838	43,544	(43,378)	(258)	22,746
Less:	Bad Debt Provision	17,184	26	(4)	(258)	16,948
	Net Debt	<u>5,654</u>	<u>43,518</u>	<u>(43,374)</u> ¹	<u>0</u>	<u>5,798</u>