
Report To:	Policy & Resources Committee	Date:	22 September 2009
Report By:	Chief Financial Officer	Report No:	FIN/48/09/AP/CF
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Subject:	Debt Recovery Performance 2008/09		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise Committee of the performance of the Debt Recovery Partnership during 2008/09 and to advise Committee of future plans. 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 with the Council's Debt Partners Walker Love and Co commenced on 01 April 2008. This followed a tendering exercise due to the expiry of the contract with the previous firm. The appointment of Walker Love was agreed by the Policy and Resources Committee in February 2008.
- 2.2 Although the main focus of debt recovery continues to be Council Tax resources continue to be directed towards improving collection levels for Non Domestic Rates, Commercial Rents, Sundry Debts and Housing Benefit Overpayments.
- 2.3 Collection levels for 2008/09 fell by an overall total of £1,269,000. A detailed breakdown of the categories of debt can be seen at appendix 2.
- 2.4 It was intimated to committee in November 2008 that the change to a new Debt Management Partner as well as the introduction of the Bankruptcy and Diligence Act would lead to a reduction in cash flow as well as having a general impact on the Debt Recovery process.

The reduction in collection levels can also be attributed towards the current economic climate. Inverclyde are not alone in being affected by external factors. Eighteen Councils showed a decrease in Council Tax collection levels in 2008/09.

On a positive note Direct Debit uptake has risen again in 2008/09 from 64% of in year receipts in 2007/08 to 68.2% in 2008/09. In year collections raised by Inverclyde's Revenues teams has also increased by £611,151.30. This demonstrates that while the hard core of debt that has reached summary warrant stage is proving more difficult to collect, in house activities are maximising collection of new raised debt as much as possible.

3.0 RECOMMENDATIONS

- 3.1 That the Committee notes the reasons for the reduction in income levels during 2008/09 and that a proactive approach is being taken during 2009/10 to ensure that income levels are maximised.
- 3.2 That the Committee notes the impact that the current economic climate is having on debt recovery.

Alan Puckrin
Chief Financial Officer

4.0 PERFORMANCE FOR 2008/09 – DEBT PARTNERSHIP

- 4.1 The current contract with the Council's Debt Partners Walker Love and Co commenced on 01 April 2008. This followed a tendering exercise due to the expiry of the contract with the previous firm. The appointment of Walker Love was agreed by the Policy and Resources Committee in February 2008.
- 4.2 The Revenues Management Team have since the award of the contract met regularly with the Senior Partners of Walker Love and Co as well as regular communications by telephone and email to ensure that there are clear lines of responsibility and that income maximisation as well as customer service aspects are as clear and productive as possible. Operational meetings and discussions also take place at Team Leader level. Detailed statistics are recorded, analysed and discussed from both parties
- 4.3 The majority of the recovery activity concentrated on Council Tax arrears although Walker Love and Co have been more proactive than the previous debt recovery partner in terms of Sundry and Commercial Rent Debts. They have also been actively pursuing Rates and Housing Benefit Debt. As agreed at the outset of the contract Walker Love are now progressing the Gone Away accounts and have a visiting plan in action to confirm current occupancy.
- 4.4 As reported to committee last year the new Bankruptcy and Diligence Bill also played a large factor in the decrease in council tax collection. The process of serving a charge for payment under the new scheme coupled with the fact that a £45 charge has to be recovered before the Council sees any real cash income, in effect adds in the region of three months onto the process before income reaches the Council.

Both the economic climate and the new Bill have affected Councils in 2008/09 with 18 Councils showing a reduction in year collection levels when compared to 2007/08 performance. Inverclyde Councils in-year Council Tax collection dropped by 0.2% to 93.3% in 2008/09.

- 4.5 Direct Debit uptake has risen again in 2008/09 from 64% of in year receipts in 2007/08 to 68.2% in 2008/09. This is due to the teams encouraging individuals to select this method of payment which has been streamlined through the introduction of a paperless process and a choice of payment dates, making this option the most efficient and by far the cheapest for the Council.
- 4.6 The Debt Recovery Team based in the Municipal Buildings have also increased their in year collection figure by £611,151.30 compared to 2007/08's performance. In the current climate this is a good achievement as well as helping prevent arrears accrue for individuals. The Revenues team have also contributed by processing exemptions, discounts etc effectively and managing the billing process well.
- 4.7 A statement of the Debt Partnership performance is set out in Appendix 1 and Appendix 2. Overall the Debt Partner collected approximately £1.82 million excluding direct payments to the Council in 2008/09 against a target of £2.51 million. Overall collection including direct payments to the Council was £2.88 million against a collection figure of £4.15 million in 2007/08
- 4.8 Although the gross amount collected for 2008/09 reduced, there are several factors contributing towards this, including the cancellation of arrangements due to the change to Debt Partner, the new Bankruptcy and Diligence Bill and the economic climate as well as the fact that as in year collection has improved, the residual debt becomes more difficult to collect.
- 4.9 Finally, the figures illustrate for another year the difficulty in collecting Community Charge debt some of which is now nearly 20 years old and about to become prescribed. The sum collected in 2008/09 was £40,000 compared to £75,000 in 2007/08.

5.0 OVERALL POSITION OF COUNCIL DEBT AS AT 31 March 2009

- 5.1 The gross debt as at 31 March 2009 is £32.371 million as shown in Appendix 3. This is an increase of 2.274 million in 2008/09. There is a bad debt provision of £27.6 million, leaving net collectable debt of £4.694 million. This is an increase of 1.438 million. Over £0.9 million of this increase relates to Sundry Debts due to an increase in debts issued in March 2009.
- 5.2 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 Best Practice.
- 5.3 It should be noted that the above figures reconcile to the 2008/09 Accounts.

6.0 PLANS FOR 2009/10

- 6.1 Revenues staff will continue to work with the Debt Partner in 2009/10 on a rolling programme of write offs for uncollectable Council Tax and Community Charge debt. Regular meetings are held at management and at an operational level in order that processes as well as performance can be discussed.
- 6.2 In 2008/09, the Debt Management Partnership initiated sequestration proceedings in 74 cases, 15 of which came to court resulting in these debtors being declared bankrupt. To date 5 of these cases have paid in full resulting in £38,000 cash being collected. A further 6 have made monthly re-payment arrangements and 7 have earnings arrestments. Cases identified for sequestration are carefully selected to ensure that emphasis continues to be on those debtors who through the use of technology such as Experian Citizen view show that they have clear equity on their homes and who continue to refuse to make payment. This process will be reviewed throughout 2009/10 as it is likely that due to the fall in the market value of property there will be less equity available.
- 6.3 Officers are aware of the social and financial inclusion issues in Inverclyde and now work closely with Money Matters with the view to facilitate as many arrangements with debtors before it reaches the stage that diligence is applied. Benefit take up is also encouraged as much as possible to ensure that entitlement is maximised as far as possible. Revenues staff have received an overview of Council Tax Benefit to try and facilitate this process.
- 6.4 The Council with Debt Recovery the Revenues Management Team and Debt Management Partner are looking at setting up special projects and exercises to try and raise collection levels. Examples being profiling debts into groups such as the highest value debts, sending out postcards where telephone calls have been unsuccessful, identifying persons who in the past have been good payers and stopped or reduced payments.
- 6.5 While it is accepted that 2008/09 was a difficult year for all Councils and Walker Love and Co were disadvantaged though having to re-negotiate payment arrangements and obtain telephone numbers and other personal data, the Council are still disappointed with the level of income received. As a result the Chief Financial Officer invited the Senior Partners of Walker Love to deliver a presentation on performance to date and plans for the way forward. In addition to the exercises set out above it has been agreed that options will be developed around initiatives such as employment traces and pilot door to door recovery in selected cases and thereafter evaluate outcomes of all exercises.

A paper has been prepared for the Policy and Resources Committee seeking approval to conduct a data matching exercise matching outstanding Council Tax debts against the Councils payroll system. If approved, all those concerned will be given plenty opportunity to make repayment arrangements before any action will be taken.

- 6.6 For the year 2008/09 targets set were not achieved. On reflection the targets set particularly for prior year collections were over ambitious.

The targets for Council Tax collection for 2009/10 have been set after negotiation with Walker Love and while it is accepted that they are challenging, it is believed that they are achievable.

The targets set are:

for current year - £1,020,383

for prior years – £1,282,640

- 6.7 Prior year collection continues to become more difficult year after year and this is reflected in the targets.
- 6.8 In year collection will continue to be affected by the Charge for Payment process as well as the economic climate.

7.0 IMPLICATIONS

- 7.1 Financial – The Debt Partners performance is critical for the recovery of debt for the Council. While it is disappointing that the overall collection level is down when compared to 2007/08, a reduction in commission rates has reduced the monies paid out to the Debt Partner.

- 7.2 Collection for all years is expected to continue to be affected by the economic downturn as well as the ongoing changes to the Bankruptcy and Diligence Act.

- 7.3 Legal
None

- 7.4 Personnel
None

8.0 CONSULTATION

None

9.0 EQUALITIES

- 9.1 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 this makes it easier for everyone to make payments to the Council.

10.0 BACKGROUND PAPERS

None

ANALYSIS OF DEBT PARTNER PERFORMANCE 2008/09

Appendix 1

Council Tax

Financial Year	Combined
1993/94	11
1994/95	15
1995/96	19
1996/97	30
1997/98	59
1998/99	54
1999/00	76
2000/01	75
2001/02	67
2002/03	57
2003/04	66
2004/05	66
2005/06	69
2006/07	109
2007/08	363
2008/09	973
Total	2,109

Non Domestic Rates

Financial Year	Payments Received £000s
1993/94	7
1994/95	1
1995/96	1
1996/97	1
1998/99	2
1999/00	0
2000/01	3
2001/02	5
2002/03	17
2003/04	7
2004/05	19
2005/06	29
2006/07	24
2007/08	116
2008/09	220
Total	452

Community Charge

Financial Year	Payments Received £000s
1989/90	1
1990/91	2
1991/92	1
1992/93	2
Other income - All Yrs	34
Total	40

Other Debts

Type of Debt	Payments Received £000s
Sundry	144
Housing Benefits	18
Ind Rent	116
Total	278

Debt Recovery Partnership
Performance Comparison
2007/8 & 2008/9

	2007/08 £000	2008/09 £000	Difference £000	%
Council Tax	3182	2109	-1073	-33.72%
Non-domestic rates	598	452	-146	-24.41%
Community Charge	75	40	-35	-46.67%
Sundry Debt	180	144	-36	-20.00%
Housing Benefit	22	18	-4	-18.18%
Ind & Commercial Rent	91	116	25	27.47%
	4148	2879	-1269	

Appendix 3

	Position 31/03/2009 £'000	Position 31/03/2008 £'000	Movement £'000
<u>Council Tax</u>			
Gross Debt	14,012	13,229	783
Less: Bad Debt Provision	11,694	11,370	324
Net Debt	<u>2,318</u>	<u>1,859</u>	<u>459</u>
<u>Community Charge</u>			
Gross Debt	6,852	6,893	(41)
Less: Bad Debt Provision	6,852	6,893	(41)
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<u>Non - Domestic Rates</u>			
Gross Debt	3,649	3,390	259
Less: Bad Debt Provision	3,649	3,390	259
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<u>House Rents</u>			
Gross Debt	1,712	1,712	0
Less: Bad Debt Provision	1,712	1,712	0
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<u>Sundry Debt</u>			
Gross Debt	2,567	1,459	1,108
Less: Bad Debt Provision	712	485	227
Net Debt	<u>1,855</u>	<u>974</u>	<u>881</u>
<u>Industrial & Commercial Rent</u>			
Gross Debt	345	381	(36)
Less: Bad Debt Provision	176	303	(127)
Net Debt	<u>169</u>	<u>78</u>	<u>91</u>
<u>Statutory Additions</u>			
Gross Debt	2,882	2,688	194
Less: Bad Debt Provision	2,882	2,688	194
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<u>Long Term Debtors</u>			
Gross Debt	352	345	7
Less: Bad Debt Provision	0	0	0
Net Debt	<u>352</u>	<u>345</u>	<u>7</u>
<u>Overall Totals</u>			
Gross Debt	32,371	30,097	2,274
Less: Bad Debt Provision	27,677	26,841	836
Net Debt	<u>4,694</u>	<u>3,256</u>	<u>1,438</u>

2008/09 Debtor Movements**Appendix 4**

	Opening Position £'000	Additions £'000	Payments/ Reliefs £'000	Write-Offs £'000	Closing Position £'000
<u>Council Tax</u>					
Gross Debt	13,229	33,735	(32,720)	(232)	14,012
Less: Bad Debt Provision	11,370	556		(232)	11,694
Net Debt	1,859	33,179	(32,720)	0	2,318
<u>Community Charge</u>					
Gross Debt	6,893		(41)	0	6,852
Less: Bad Debt Provision	6,893		(41)	0	6,852
Net Debt	0	0	0	0	0
<u>Non - Domestic Rates</u>					
Gross Debt	3,390	18,543	(17,642)	(642)	3,649
Less: Bad Debt Provision	3,390	901		(642)	3,649
Net Debt	0	17,642	(17,642)	0	0
<u>House Rents</u>					
Gross Debt	1,712	0	0	0	1,712
Less: Bad Debt Provision	1,712	0		0	1,712
Net Debt	0	0	0	0	0
<u>Sundry Debt</u>					
Gross Debt	1,459	19,500	(18,260)	(132)	2,567
Less: Bad Debt Provision	485	472	(113)	(132)	712
Net Debt	974	19,028	(18,147)	0	1,855
<u>Industrial & Commercial Rent</u>					
Gross Debt	381	1,235	(1,271)	0	345
Less: Bad Debt Provision	303		(127)	0	176
Net Debt	78	1,235	(1,144)	0	169
<u>Statutory Additions</u>					
Gross Debt	2,688	470	(276)		2,882
Less: Bad Debt Provision	2,688	470	(276)		2,882
Net Debt	0	0	0	0	0
<u>Long Term Debtors</u>					
Gross Debt	345	7			352
Less: Bad Debt Provision	0				0
Net Debt	345	7	0	0	352
<u>Overall Totals</u>					
Gross Debt	30,097	73,490	(70,210)	(1,006)	32,371
Less: Bad Debt Provision	26,841	2,399	(557)	(1,006)	27,677
Net Debt	3,256	71,091	(69,653)	0	4,694