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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>22 September 2015</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/70/15/AP/FB</b>
<b>Contact Officer:</b>	<b>Fiona Borthwick</b>	<b>Contact No:</b>	<b>01475 712904</b>
<b>Subject:</b>	<b>Debt Recovery Performance 2014/15</b>		

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## **1.0 PURPOSE**

1.1 The purpose of this report is to advise Committee of the Council's Debt Recovery performance during 2014/15. 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 Alex M Adamson LLP took effect from 01 October 2012 initially for 18 months with the option to extend on a yearly basis up until 30 September 2017.

2.2 The contract is for the recovery of Council Tax and Non Domestic Rates. 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 Sundry Debts (including Commercial rents) as well as Housing Benefit Overpayments along with collection of Parking Fine income. If further action or diligence are required for these categories of debt, ad hoc agreements could be made with Alex M Adamson LLP or another party.

2.3 Collection levels for 2014/15 in respect of accounts passed to the Council's Debt Partners increased by £83,000 A detailed breakdown of the categories of debt can be seen at Appendix 2. The contractors continue to be effective partners both in terms of their collection results to date and also in the ease of communication with them. They continue to operate from an office in Cathcart Street where individuals can make payments and basic enquires.

2.4 Despite another challenging year due to the continuing difficult economic climate the Council Tax In year Collection level increased by 0.3% to 94.8%, its highest to date. This is a significant achievement and can be attributed to the hard work of the Council's Revenues Team.

2.5 Payment by Direct Debit continued to rise in 2014/15 with 76.2% of in year receipts being received by this method of payment.

2.6 The collection level for Non Domestic Rates was 96.15%, an increase of 0.2% from 2013/14. Full details can be seen at Appendices 1 and 2.

## **3.0 RECOMMENDATIONS**

3.1 That the Committee note the Council's continued good performance in the area of Debt Recovery in 2014/15 and the developments planned in 2015/16.

**Alan Puckrin**  
**Chief Financial Officer**

#### **4.0 PERFORMANCE FOR 2014/15 – DEBT PARTNERSHIP**

- 4.1 The current contract with Alex M Adamson LLP took effect from 01 October 2012 initially for 18 months with the option to extend on a yearly basis up until 30 September 2017.
- 4.2 The contract continues to operate well. This is testament to the hard work by the Revenues Team as a whole together with Alex M Adamson's approach and willingness to perform to a high standard.
- 4.3 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 maximisation as well as customer service aspects are as high as possible. Operational meetings and discussions also take place as and when required. Alex M Adamson 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.
- 4.4 The Debt Recovery Team based in the Municipal Buildings improved their in year collection figure from 2013/14 and achieved their best ever In Year collection figure of 94.8%. Considering the continuing difficult economic climate, 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.
- 4.5 Prior year debt can be difficult to collect and becomes increasingly difficult with the passage of time. In 2014/15 however, the best to date prior year collection was achieved bringing in £1.270m compared to £1.067m in 2013/14. It should be noted that the early years of Council Tax debt are reaching a point where continued collection needs to be examined.
- 4.6 There were fifteen sequestration actions raised in 2014/15 which were raised for a combination of council tax, rates and commercial rent. These sequestrations have resulted in payments of £64,000 being made. 2015/16 will see more accounts identified and sequestration proceedings raised against debtors who are in a position to pay but refuse to do so. 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 should be in a position to pay.
- 4.7 Direct Debit uptake has risen again in 2014/15 from 74.8% of in year receipts in 2013/14 to 76.2% in 2014/15. Following the success of previous campaigns, a leaflet promoting Direct Debit was once again enclosed with the annual Council Tax bills.
- 4.8 Officers are aware of the social and financial inclusion issues in Inverclyde and continue to 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 and Council Tax reduction take up is also encouraged as much as possible to ensure that entitlement is maximised as far as possible.
- 4.9 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 protects the individuals from being served a 'charge for payment' of £78.10 for an individual and £95.70 for a couple and saves the Council commission charges.
- 4.10 A statement of the Debt Partnership performance is set out in Appendix 1 and Appendix 2. The Debt Partners collected approximately £2.2 million in Council Tax.
- 4.11 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. There has been a slight decrease in Council Tax income of £34,000 from Council Tax third party deductions, with a total of £447,000 being received in 2014/15 against £481,000 in 2013/14. This decrease was expected due to the implementation of the Water Direct scheme however, this reduction in income has been offset by the additional Council Tax income received from Water Direct deductions of £395,000. 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

## **5.0 OVERALL POSITION OF COUNCIL DEBT AS AT 31 MARCH 2015**

- 5.1 The gross debt as at 31 March 2015 is £21.933 million as shown in Appendix 3. There is a bad debt provision of £17.414 million, leaving net collectable debt of £4.519 million. This is a decrease of £0.468 million in 2014/15.
- 5.2 Appendix 4 provides more detail behind the figures and highlights 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 2014/15 Accounts.

## **6.0 PLANS FOR 2015/16**

- 6.1 Work will continue consolidating the partnership. Targets for 2015/16 have been set and more robust statistical information from the Debt Partners will help forward planning for debt recovery.
- 6.2 The current contract is only for Council Tax and Non Domestic Rates. The In-house Debt Recovery team continues to pursue Sundry Debt (including Commercial Rents) and Housing Benefit overpayments. The Council is also using the Debt Partner to pursue outstanding Parking Fines and it is expected that good progress will be made on this issue in 2015/16. If further action or diligence are required for these categories of debt, ad hoc agreements will be made with Alex M Adamson LLP or a third party company which can demonstrate initiative and low cost.
- 6.3 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 along with conventional recovery methods to ensure that resources are appropriately directed to specific areas of debt ensuring income maximisation.

## **7.0 IMPLICATIONS**

- 7.1 Financial – The extra income generated in assisting the Council in balancing its budgets.
- 7.2 Legal – None
- 7.3 Human Resources – None
- 7.4 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.
- 7.5 Repopulation – None

## **8.0 CONSULTATION – None**

## **9.0 BACKGROUND PAPERS - None**

## ANALYSIS OF DEBT PARTNER PERFORMANCE 2014/15

## Council Tax

Financial Year	Payments Received
	£000's
1993/94	2
1994/95	3
1995/96	2
1996/97	4
1997/98	12
1998/99	12
1999/00	16
2000/01	18
2001/02	19
2002/03	23
2003/04	19
2004/05	28
2005/06	30
2006/07	37
2007/08	47
2008/09	62
2009/10	82
2010/11	104
2011/12	130
2012/13	196
2013/14	384
2014/15	968
<b>Total</b>	<b>2198</b>

## 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	0
2003/04	0
2004/05	1
2005/06	0
2006/07	0
2007/08	1
2008/09	0
2009/10	0
2010/11	1
2011/12	5
2012/13	7
2013/14	110
2014/15	172
<b>Total</b>	<b>297</b>

## Appendix 2

### Debt Recovery Partnership Performance Comparison 2013/14 & 2014/15

	2013/14 £000	2014/15 £000	Difference £000	%
Council Tax	2,105	2,198	93	4.42%
Non Domestic Rates	307	297	-10	-3.26%
<b>Total</b>	2412	2495	83	3.44%

**Appendix 3**

	<b>Position 31/03/2015 £'000</b>	<b>Position 31/03/2014 £'000</b>	<b>Movement £'000</b>
<b><u>Council Tax</u></b>			
Gross Debt	16,270	16,154	116
Less: Bad Debt Provision	<u>14,208</u>	<u>14,123</u>	<u>85</u>
Net Debt	<u>2,062</u>	<u>2,031</u>	<u>31</u>
<b><u>Sundry Debt</u></b>			
Gross Debt	562	1,111	(549)
Less: Bad Debt Provision	<u>304</u>	<u>356</u>	<u>(52)</u>
Net Debt	<u>258</u>	<u>755</u>	<u>(497)</u>
<b><u>Industrial &amp; Commercial Rent</u></b>			
Gross Debt	125	106	19
Less: Bad Debt Provision	<u>63</u>	<u>52</u>	<u>11</u>
Net Debt	<u>62</u>	<u>54</u>	<u>8</u>
<b><u>Statutory Additions</u></b>			
Gross Debt	2,839	2,811	28
Less: Bad Debt Provision	<u>2,839</u>	<u>2,811</u>	<u>28</u>
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<b><u>Long Term Debtors</u></b>			
Gross Debt	2,137	2,147	(10)
Less: Bad Debt Provision	<u>0</u>	<u>0</u>	<u>0</u>
Net Debt	<u>2,137</u>	<u>2,147</u>	<u>(10)</u>
<b><u>Overall Totals</u></b>			
Gross Debt	21,933	22,329	(396)
Less: Bad Debt Provision	<u>17,414</u>	<u>17,342</u>	<u>72</u>
Net Debt	<u>4,519</u>	<u>4,987</u>	<u>(468)</u>

**2014/15 Debtor Movements****Appendix 4**

	Opening Position £'000	Additions £'000	Payments/ Reliefs £'000	Net Write-Offs £'000	Closing Position £'000
<b><u>Council Tax</u></b>					
Gross Debt	16,154	34,229	(33,800)	(313)	16,270
Less: Bad Debt Provision	14,123	398		(313)	14,208
Net Debt	2,031	33,831	(33,800)	0	2,062
<b><u>Sundry Debt</u></b>					
Gross Debt	1,111	7,253	(7,669)	(133)	562
Less: Bad Debt Provision	356	81		(133)	304
Net Debt	755	7,172	(7,669)	0	258
<b><u>Industrial &amp; Commercial Rent</u></b>					
Gross Debt	106	808	(789)	0	125
Less: Bad Debt Provision	52	11		0	63
Net Debt	54	797	(789)	0	62
<b><u>Statutory Additions</u></b>					
Gross Debt	2,811	28			2,839
Less: Bad Debt Provision	2,811	28			2,839
Net Debt	0	0	0	<sup>2</sup> 0	0
<b><u>Long Term Debtors</u></b>					
Gross Debt	2,147	27	(37)	0	2,137
Less: Bad Debt Provision	0				0
Net Debt	2,147	27	(37)	0	2,137
<b><u>Overall Totals</u></b>					
Gross Debt	22,329	42,345	(42,295)	(446)	21,933
Less: Bad Debt Provision	17,342	518	0	(446)	17,414
Net Debt	4,987	41,827	(42,295)	<sup>1</sup> 0	4,519

**Notes:**

<sup>1</sup> Write offs are net of £10k collected for debt previously written off.

<sup>2</sup> Statutory additions are not written off in year but cancelled. Closing position reflects live statutory addition balance as at 31st March 2015.