
Report To:	Policy & Resources Committee	Date:	20 September 2016
Report By:	Chief Financial Officer	Report No:	FIN/85/16/AP/FM
Contact Officer:	Fiona Maciver	Contact No:	01475 712904
Subject:	Debt Recovery Performance 2015/16		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Committee of the Council's Debt Recovery performance during 2015/16. 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 31 March 2018. Due to a high level of performance by Alex M Adamson, this extension has been applied.
- 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 is required for these categories of debt, ad hoc agreements are made with Alex M Adamson LLP or another party.
- 2.3 Collection levels for 2015/16 in respect of accounts passed to the Council's Debt Partners increased by £59,000. A detailed breakdown of the categories of debt can be seen at Appendix 2. The contractor continues 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 and impact of Welfare Reform changes, the Council Tax In year Collection level increased by 0.3% to 95.1% it's 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 2015/16 with 76.5% of in year receipts being received by this method of payment.
- 2.6 The collection level for Non Domestic Rates was 96.1%, a decrease of 0.05% from 2014/15. Full details can be seen at Appendices 1 and 2.
- 2.7 Changes to the Council Tax regime are due to occur from 2017/18 which will increase annual bills for many Band E and above households. Reliefs are also being amended for some households with children. Whilst a more detailed report on this matter will be presented to Committee, at this point it is not anticipated that collection levels will be impacted.

3.0 RECOMMENDATIONS

3.1 That the Committee note the Council's continued good Debt Recovery performance in 2015/16.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 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 31 March 2018. Due to a high level of performance by Alex M Adamson, this extension has been applied.
- 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. 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. One example of this is conducting evening home visits to debtors with high balances owing who live in high banded properties.

5.0 2015/16 PERFORMANCE

- 5.1 The Revenues Team based in the Municipal Buildings improved their in year collection figure from 2014/15 and achieved the Council's best ever In Year collection figure of 95.1%. 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. A reduction in prior year collections was recorded in 2015/16, resulting in £1.26m being collected compared to £1.27m in 2014/15. It should be noted that the early years of Council Tax debt are reaching a point where new collection arrangements are difficult to deliver.
- 5.3 There were 17 sequestration actions raised in 2015/16; which were raised for a combination of council tax, rates and commercial rent. These sequestrations have resulted in payments of £41,000 being made. 2016/17 will see more accounts identified and Sequestration proceedings raised against debtors that 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 have clear equity on their homes and should be in a position to pay.
- 5.4 Direct Debit uptake has risen again in 2015/16 from 76.2% of in year receipts in 2014/15 to 76.5% in 2015/16. Following the success of previous campaigns, a leaflet promoting Direct Debit was once again enclosed with the annual Council Tax bills.
- 5.5 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.
- 5.6 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' and saves the Council commission charges.
- 5.7 A statement of the Debt Partnership performance is set out in Appendix 1 and Appendix 2. The Debt Partners collected approximately £2.3 million in Council Tax in 2015/16 which is £100,000 more than last year.
- 5.8 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.

6.0 OVERALL POSITION OF COUNCIL DEBT AS AT 31 MARCH 2016

- 6.1 The gross debt as at 31 March 2016 is £22.521 million as shown in Appendix 3. There is a bad debt provision of £17.370 million, leaving net debt of £5.151 million. This is an increase of £0.632 million in 2015/16 the bulk of which was due to a long term loan being made to Inverclyde Leisure for the refurbishment of Ravenscraig Sports Centre. It should be noted that as at 31 March 2016, the Council had collected 96.1% of all Council Tax billed.
- 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 2015/16 Accounts.

7.0 PLANS FOR 2016/17

- 7.1 Work will continue building on the good partnership with Alex M Adamson who have agreed to work toward a further uplift in collection or at a minimum maintain current performance.
- 7.2 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 is required for these categories of debt, ad hoc agreements will be made with Alex M Adamson LLP or a third party company.
- 7.3 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 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.

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 2015/16 the Council exceeded its Council Tax prior years collection budget by £162,000 and as a result the target was increased by £180,000 for 2016/17. 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 PAPERS

10.1 None

ANALYSIS OF DEBT PARTNER PERFORMANCE 2015/16

Council Tax

Financial Year	Payments Received
	£000's
1993/94	2
1994/95	2
1995/96	2
1996/97	6
1997/98	10
1998/99	12
1999/00	16
2000/01	19
2001/02	20
2002/03	18
2003/04	22
2004/05	21
2005/06	25
2006/07	28
2007/08	41
2008/09	52
2009/10	60
2010/11	74
2011/12	89
2012/13	126
2013/14	188
2014/15	448
2015/16	1017
Total	2298

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	1
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	3
2011/12	9
2012/13	5
2013/14	16
2014/15	118
2015/16	109
Total	263

Appendix 2

Debt Recovery Partnership Performance Comparison 2014/15 & 2015/16

	2014/15 £000	2015/16 £000	Difference £000	%
Council Tax	2,198	2,298	100	4.55%
Non Domestic Rates	297	263	-34	-11.45%
Total	2495	2561	66	2.65%

Appendix 3

	Position 31/03/2016 £'000	Position 31/03/2015 £'000	Movement £'000
<u>Council Tax</u>			
Gross Debt	16,359	16,270	89
Less: Bad Debt Provision	<u>14,123</u>	<u>14,208</u>	<u>(85)</u>
Net Debt	<u>2,236</u>	<u>2,062</u>	<u>174</u>
<u>Sundry Debt</u>			
Gross Debt	606	562	44
Less: Bad Debt Provision	<u>283</u>	<u>304</u>	<u>(21)</u>
Net Debt	<u>323</u>	<u>258</u>	<u>65</u>
<u>Industrial & Commercial Rent</u>			
Gross Debt	116	125	(9)
Less: Bad Debt Provision	<u>64</u>	<u>63</u>	<u>1</u>
Net Debt	<u>52</u>	<u>62</u>	<u>(10)</u>
<u>Statutory Additions</u>			
Gross Debt	2,900	2,839	61
Less: Bad Debt Provision	<u>2,900</u>	<u>2,839</u>	<u>61</u>
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<u>Long Term Debtors</u>			
Gross Debt	2540	2137	403
Less: Bad Debt Provision	<u>0</u>	<u>0</u>	<u>0</u>
Net Debt	<u>2,540</u>	<u>2,137</u>	<u>403</u>
<u>Overall Totals</u>			
Gross Debt	22,521	21,933	588
Less: Bad Debt Provision	<u>17,370</u>	<u>17,414</u>	<u>(44)</u>
Net Debt	<u>5,151</u>	<u>4,519</u>	<u>632</u>

2015/16 Debtor Movements**Appendix 4**

	Opening Position £'000	Additions £'000	Payments/ Reliefs £'000	Net Write-Offs £'000	Closing Position £'000
<u>Council Tax</u>					
Gross Debt	16,270	34,453	(34,152)	(212)	16,359
Less: Bad Debt Provision	14,208	127		(212)	14,123
Net Debt	<u>2,062</u>	<u>34,326</u>	<u>(34,152)</u>	<u>0</u>	<u>2,236</u>
<u>Sundry Debt</u>					
Gross Debt	562	8,686	(8,589)	(53)	606
Less: Bad Debt Provision	304	32		(53)	283
Net Debt	<u>258</u>	<u>8,654</u>	<u>(8,589)</u>	<u>0</u>	<u>323</u>
<u>Industrial & Commercial Rent</u>					
Gross Debt	125	809	(818)	0	116
Less: Bad Debt Provision	63	1		0	64
Net Debt	<u>62</u>	<u>808</u>	<u>(818)</u>	<u>0</u>	<u>52</u>
<u>Statutory Additions</u>					
Gross Debt	2,839	61			2,900
Less: Bad Debt Provision	2,839	61			2,900
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>	² <u>0</u>	<u>0</u>
<u>Long Term Debtors</u>					
Gross Debt	2,137	573	(170)	0	2,540
Less: Bad Debt Provision	0				0
Net Debt	<u>2,137</u>	<u>573</u>	<u>(170)</u>	<u>0</u>	<u>2,540</u>
<u>Overall Totals</u>					
Gross Debt	21,933	44,582	(43,729)	(265)	22,521
Less: Bad Debt Provision	17,414	221	0	(265)	17,370
Net Debt	<u>4,519</u>	<u>44,361</u>	<u>(43,729)</u>	¹ <u>0</u>	<u>5,151</u>

Notes:

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

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