
Report To:	Policy & Resources Committee	Date:	19 September 2017
Report By:	Chief Financial Officer	Report No:	FIN/63/17/AP/FMacI
Contact Officer:	Fiona Maciver	Contact No:	01475 712904
Subject:	Debt Recovery Performance 2016/17		

1.0 PURPOSE

1.1 The purpose of this report is to advise the Committee of the Council's Debt Recovery performance during 2016/17. 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 for recovery of Council Tax and NDR took effect from 1 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 was applied and as it has now reached its legal limit the tendering process has begun for a new contract.
- 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 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 2016/17 in respect of Council Tax accounts passed to the Council's Debt Partners increased by £37,000. 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. 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 0.2% to 95.3% its 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 at 76% of in year receipts being received by this method of payment. As the Council's Digital Strategy is rolled out, it is hoped that when the technology is available for citizens to view and update their council tax records 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 94.72%, a decrease of 1.38% from 2015/16. In addition Debt Recovery for earlier years reduced by £55,000 (See App 2). This is in line with national trends and is linked to the changes in reliefs for industrial properties.
- 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. Reliefs were also applied for some households with children. 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 2016/17.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The current contract with Alex M Adamson LLP took effect from 1 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 was applied however the legal timescale for length of contract has been reached therefore Revenues are currently working with Procurement to develop a timeline to go out to tender for a new contract, effective from 1 April 2018.
- 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 Council Tax debtors with high balances owing who live in high banded properties.

5.0 2016/17 PERFORMANCE

- 5.1 The Revenues Team based in the Municipal Buildings improved their in year Council Tax collection figure from 2015/16 and achieved the Council's best ever In Year collection figure of 95.3%. Considering the continuing difficult economic climate and the Welfare Reform changes, this is a commendable effort. The Revenues processing team made a 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 Alex M Adamson and the Council's Debt Recovery Team prior year collections increased during 2016/17 to £1.3m which is an increase of £40k from 2015/16 and is a significant achievement. Figures at the end of March showed that the Council has collected 96.4% of all Council Tax billed since 1993.
- 5.3 The collection rate for Non Domestic Rates was 94.72%, a decrease of 1.38% since 2015/16; this is in part due to changes in reliefs that can be granted on Industrial Properties as well as disputes with a couple of large companies. Rates collection level can vary greatly month to month depending on the volume of and value of bills issued to Businesses.
- 5.4 The Council is currently using Alex M Adamson to pursue outstanding Parking Fines and the collection of these is improving each month with an average collection level of 83%.
- 5.5 There were 8 sequestration actions raised in 2016/17; which were raised for a combination of council tax, rates and commercial rent. These sequestrations have resulted in payments of £31,605 being made. The number of sequestrations has fallen by 9 since 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 number of cases sequestrated has reduced due to a new process that has been adopted by Alex M Adamson, when cases are deemed suitable for sequestration; they are now first of all referred by them to an Insolvency Practitioner who contacts the customer about their debt. These letters seem to encourage 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.
- 5.6 Payment by Direct Debit has remained high at 76% 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 when the technology is available for citizens to view and update their council tax records 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.

- 5.7 Officers are aware of the social and financial inclusion issues in Inverclyde and continue to work closely with Advice First with a view to facilitating 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 in Inverclyde in November 2016 has had an impact.
- 5.8 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.
- 5.9 A statement of the Debt Partnership performance is set out in Appendix 1 and Appendix 2. The Debt Partners collected £2.335 million in Council Tax in 2016/17 which is £37,000 more than last year.
- 5.10 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 will have an adverse impact on this approach.

6.0 OVERALL POSITION OF COUNCIL DEBT AS AT 31 MARCH 2017

- 6.1 The gross debt as at 31 March 2017 is £22.737 million as shown in Appendix 3. There is a bad debt provision of £17.184 million, leaving a net debt of £5.553 million. It should be noted that as at 31 March 2017, the Council had collected 96.4% of all Council Tax billed an increase of 0.3% from 2015/16.
- 6.2 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 2016/17 Accounts.

7.0 PLANS FOR 2017/18

- 7.1 As noted earlier in the report, the current contract with Alex M Adamson is due to expire at the end of March 2018, however the Council is confident they will as a minimum maintain current performance.
- 7.2 The current contract is for the recovery of Council Tax and Non Domestic Rates, with the In-house Debt Recovery team pursuing the recovery of Sundry Debt (including Commercial Rents) and Housing Benefit overpayments. Throughout the length of the current contract, commission rates charged by Debt Management Companies as new contracts have been awarded to other Councils have been reducing and with that in mind it is intended that the new tender will be issued for all debts including parking fines.
- 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. 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 of MyAccount which will allow customers to view their account on line without contacting the Council
 - Investing in software that will allow customers to report changes in circumstances on line which will be automatically updated by the Revenues processing system Northgate, reducing the need for manual processing.

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 2016/17 the Council exceeded its Council Tax prior years collection budget by £106,000. 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 2016/17

Council Tax

Financial Year	Payments Received
	£000's
1993/94	3
1994/95	6
1995/96	8
1996/97	9
1997/98	16
1998/99	24
1999/00	25
2000/01	32
2001/02	34
2002/03	30
2003/04	32
2004/05	37
2005/06	32
2006/07	35
2007/08	47
2008/09	49
2009/10	55
2010/11	65
2011/12	85
2012/13	98
2013/14	146
2014/15	236
2015/16	198
2016/17	1033
Total	2335

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	2
2001/02	0
2002/03	0
2003/04	1
2004/05	0
2005/06	0
2006/07	0
2007/08	2
2008/09	0
2009/10	0
2010/11	3
2011/12	2
2012/13	0
2013/14	6
2014/15	22
2015/16	86
2016/17	84
Total	208

Appendix 2

Debt Recovery Partnership Performance Comparison 2015/16 & 2016/17

	2015/16 £000	2016/17 £000	Difference £000	%
Council Tax	2,298	2,335	37	1.61%
Non Domestic Rates	263	208	-55	-20.91%
Total	2561	2543	-18	-0.70%

Appendix 3

	Position 31/03/2017 £'000	Position 31/03/2016 £'000	Movement £'000
<u>Council Tax</u>			
Gross Debt	16,298	16,359	(61)
Less: Bad Debt Provision	<u>13,962</u>	<u>14,123</u>	<u>(161)</u>
Net Debt	<u>2,336</u>	<u>2,236</u>	<u>100</u>
<u>Sundry Debt</u>			
Gross Debt	895	570	325
Less: Bad Debt Provision	<u>264</u>	<u>283</u>	<u>(19)</u>
Net Debt	<u>631</u>	<u>287</u>	<u>344</u>
<u>Industrial & Commercial Rent</u>			
Gross Debt	83	116	(33)
Less: Bad Debt Provision	<u>33</u>	<u>64</u>	<u>(31)</u>
Net Debt	<u>50</u>	<u>52</u>	<u>(2)</u>
<u>Statutory Additions</u>			
Gross Debt	2,925	2,900	25
Less: Bad Debt Provision	<u>2,925</u>	<u>2,900</u>	<u>25</u>
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<u>Long Term Debtors</u>			
Gross Debt	2,536	2,658	(122)
Less: Bad Debt Provision	<u>0</u>	<u>0</u>	<u>0</u>
Net Debt	<u>2,536</u>	<u>2,658</u>	<u>(122)</u>
<u>Overall Totals</u>			
Gross Debt	22,737	22,603	134
Less: Bad Debt Provision	<u>17,184</u>	<u>17,370</u>	<u>(186)</u>
Net Debt	<u>5,553</u>	<u>5,233</u>	<u>320</u>

2016/17 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	16,359	34,664	(34,487)	(238)	16,298
Less: Bad Debt Provision	14,123	77		(238)	13,962
Net Debt	<u>2,236</u>	<u>34,587</u>	<u>(34,487)</u>	<u>0</u>	<u>2,336</u>
<u>Sundry Debt</u>					
Gross Debt	570	7,805	(7,448)	(32)	895
Less: Bad Debt Provision	283	14		(32)	265
Net Debt	<u>287</u>	<u>7,791</u>	<u>(7,448)</u>	<u>0</u>	<u>630</u>
<u>Industrial & Commercial Rent</u>					
Gross Debt	116	742	(774)	(1)	83
Less: Bad Debt Provision	64		(31)	(1)	32
Net Debt	<u>52</u>	<u>742</u>	<u>(743)</u>	<u>0</u>	<u>51</u>
<u>Statutory Additions</u>					
Gross Debt	2,900	25			2,925
Less: Bad Debt Provision	2,900	25			2,925
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	2,658	0	(122)	0	2,536
Less: Bad Debt Provision	0				0
Net Debt	<u>2,658</u>	<u>0</u>	<u>(122)</u>	<u>0</u>	<u>2,536</u>
<u>Overall Totals</u>					
Gross Debt	22,603	43,236	(42,831)	(271)	22,737
Less: Bad Debt Provision	17,370	116	(31)	(271)	17,184
Net Debt	<u>5,233</u>	<u>43,120</u>	<u>(42,800)</u>	¹ <u>0</u>	<u>5,553</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 2017.