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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>15 September 2020</b>
<b>Report By:</b>	<b>Chief Financial Officer</b>	<b>Report No:</b>	<b>FIN/74/20AP/TB</b>
<b>Contact Officer:</b>	<b>Alan Puckrin</b>	<b>Contact No:</b>	<b>01475 712223</b>
<b>Subject:</b>	<b>Debt Recovery Performance 2019/20</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Committee of the Council's Debt Recovery performance during 2019/20. 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 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, in line with last year, 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 2019/20 in respect of Council Tax accounts passed to the Council's Debt Recovery Partner decreased by £65,000 (2.52%). A breakdown of the categories of debt can be seen at Appendix 2.
- 2.4 Following the highest collection year to date in 2018/19, Council Tax in year collection decreased by 0.3% to 95.4% in 2019/20 but the Council moved up 3 places to be ranked 22<sup>nd</sup> of the 32 Scottish Local Authorities for 'In Year' Council Tax collection. The Council is exceeding the budgeted collection rate of 96.8% on all years prior to 2016/17. 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 Teams.
- 2.5 Payment by Direct Debit has remained high with 80% of in year receipts being received by this method of payment. Council Tax Online launched in January 2020 allowing council tax payers to request bills electronically and manage their account online.
- 2.6 The collection level for Non Domestic Rates (NDR) was 96.43%, a decrease of 0.81% from 2018/19. In addition NDR debt recovery for earlier years decreased by £307,000 (Appendix 2). This decrease is partly due to the challenging nature of tracing debtors with assets. It must be recognised that NDR and Council Tax collection will be extremely challenging in 2020/21 due to Covid and the resulting economic downturn.

## 3.0 RECOMMENDATION

- 3.1 It is recommended that the Committee notes the Council's Debt Recovery performance in 2019/20.

Alan Puckrin  
Chief Financial Officer

## **4.0 BACKGROUND**

- 4.1 The current Debt Recovery Partner contract took effect from 1 April 2018 initially for 2 years with the option to extend on a yearly basis up until 31 March 2022. Performance from the Debt Recovery Partner is good in a challenging collection environment. An extension to 2021 was agreed and it is fully expected that the extension until 2022 will be utilised. The contract includes Council Tax, Non Domestic Rates, Sundry Debtors, Housing Benefit Overpayments and Parking Charge Notices.
- 4.2 The Revenues Management Team meets regularly with the Debt Recovery 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 with the best solution being found for each customer. Operational meetings also take place as and when required. The Debt Recovery Partner is also very receptive to looking at fresh initiatives and ways of working which has contributed towards maintaining collection levels for Council Tax. One example of this is a focus on high banded properties and evening home visits to Council Tax debtors with high balances. The contractor continues to operate from an office in Cathcart Street where payments are collected and enquires are handled although remains closed temporarily due to the current health emergency.

## **5.0 2019/20 PERFORMANCE**

- 5.1 Following the highest collection year to date in 2018/19, Council Tax in year collection decreased by 0.3% to 95.4%. The drop in performance will be due to a combination of the continuing difficult economic climate including the final year of a five year freeze on working age benefits and the application of a 100% levy on long term empty property. Despite this, Inverclyde moved up 3 places to be ranked 22nd of the 32 Scottish Local Authorities for 'in year' Council Tax collection. 19 councils report their collections on a "line by line" basis which has the effect of increasing their reported collection performance. Inverclyde does not report "line by line". The budgeted collection rate of 96.8% is being exceeded on all years prior to 2016/17. Considering the continuing difficult economic climate, this is a commendable effort. The Revenues processing team made a considerable contribution to this performance by processing exemptions, discounts effectively and managing the billing process timeously whilst the Debt Recovery team maintained their high level of performance for current and prior year collection.
- 5.2 Prior year debt can be difficult to collect and becomes increasingly difficult with the passage of time. Despite to the concerted efforts of the Debt Recovery Partner and the Council's Debt Recovery Team, prior year collections decreased by £68k (4.85%) during 2019/20 to £1.334m. Collection of all Council Tax billed since 1993 at 31 March 2020 was 96.7%, an improvement of 0.07% since the same point in 2019.
- 5.3 The collection rate for Non Domestic Rates was 96.43%, a decrease of 0.81% from 2018/19; business rates collection level can vary greatly month to month depending on the number and value of bills issued.
- 5.4 The Council uses the Debt Recovery Partner to pursue outstanding parking fines. The collection rate across all Penalty Charge Notices improved from 89% in 2018/19 to 91.83%.
- 5.5 Robust procedures are in place to ensure that revenue to the Council is maximised. This involves employment traces, earnings and bank arrestments being lodged against individuals who fail to agree repayment proposals with the Debt Recovery Partner.
- 5.6 During 2019/20, Inverclyde Council passed 15 cases to the Insolvency Practitioner to undertake background checks to ensure that these customers met all the criteria for Sequestration and that they had sufficient equity/funds to meet their liabilities. Whilst the checks were being performed, a Pre Sequestration letter was issued to those customers and a small batch of future cases. These letters advise the customer of the severity and consequences to an individual's finances of sequestration/bankruptcy and if in any doubt they

should seek independent advice. Payments totalling £16,000 were received against the accounts. However the insolvency practitioner recommended that none of the accounts should progress to Sequestration. This highlights the strict criteria that must be met prior to Inverclyde Council instructing such actions.

- 5.7 Payment by Direct Debit increased to 80% of in year receipts being received by this method of payment, an increase on last year's position of 78.9%. Direct Debit continues to be promoted as the preferred payment method. Council Tax Online was launched in January 2020 allowing council tax payers to manage their account remotely using their own device or from a public building which provides access to equipment. Functions include opting for e.billing; setting up or changing a direct debit; making payments; viewing their Council Tax account balance and recent payments; obtaining a copy of a recent bill; reporting a house move; applying for discounts and exemptions.
- 5.8 Officers are aware of the social and financial inclusion challenges in Inverclyde. The Debt Recovery Team continues to set up arrangements directly with debtors and works closely with HSCP Advice First with the view to facilitate as many arrangements with debtors before debt reaches the stage of diligence being applied, avoiding costs to debtors. Benefit and Council Tax Reduction take up is also encouraged to ensure that entitlement is maximised as far as possible. Furthermore, the Debt Recovery Partner adheres to a vulnerable person's policy to ensure debtors are treated appropriately.
- 5.9 A statement of the Debt Recovery Partner's performance is set out in Appendix 1 and Appendix 2. The Debt Recovery Partner collected £2.517m Council Tax debt in 2019/20, £65,000 (2.5%) less than 2018/19.
- 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. Automated processes are now in place and the time taken by DWP to respond to requests for new arrangements has improved. It should be noted that the move to Universal Credit has had an adverse impact on the number of arrangements.

## **6.0 OVERALL POSITION OF COUNCIL DEBT AS AT 31 MARCH 2019**

- 6.1 The gross debt as at 31 March 2020 is £24.8 million as shown in Appendix 3. There is a bad debt provision of £18.9 million, leaving a net debt of £5.9 million. It should be noted that as at 31 March 2020, the Council had collected 96.7% of all Council Tax billed, an increase of 0.07% from 2018/19.
- 6.2 Appendix 4 provides more detail, highlighting 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 2019/20 Accounts.

## **7.0 PLANS FOR 2020/21**

- 7.1 The impact of Covid-19 restrictions will undoubtedly affect the financial position of many Council Tax payers and the level of Council Tax which will be received "in year". Services are in place to support people who ask for help by way of spreading payment over 12 months instead of 10 and/or help to claim Council Tax Reduction. Officers are currently projecting an in year collection of 90.5%, a reduction of 4.9% on the previous year.
- 7.2 The current public health emergency restrictions prompted an agreement with the Council's Debt Recovery Partner to suspend recovery action from the end of March 2020. Council Tax billing has however continued to ensure Council Tax payers are aware of their liability and to make arrangements to pay or seek help. A communications programme was launched and a "soft" reminder letter was sent to those with arrears at the end of July giving the opportunity to make a payment or seek help before a formal reminder was sent to those

who remained in arrears at the middle of August. Those who do not respond to the reminder and have a clear history of non-payment will be subject to summary warrant by late September when the debt will be passed to the Council's Debt Recovery Partner.

- 7.3 Significant reliefs are provided in 2020/21 for Non Domestic Rates payers by the Scottish Government in response to the impact of Covid-19 on the business sector. 100% non-domestic rates relief for all in the retail, hospitality and leisure sectors and 1.6% rates relief for all properties across Scotland, effectively reversing the uplift in the 2020-21 poundage. The affect this has had is to reduce the annual charge net of all reliefs to Inverclyde businesses from £21.4m in 2019/20 to £12.4m in 2020/21. Businesses were billed in June and reminders will be sent in line with legislation to those with arrears in October 2020.
- 7.4 The Council's Revenues Management and Debt Recovery Team together with the Council's Debt Recovery Partner will continue to pursue special initiatives together with conventional recovery methods ensuring resources are appropriately directed to specific areas of debt to maximise income.
- 7.5 The benefits of payment by Direct Debit and using Council Tax Online will continue to be promoted with council tax payers.
- 7.6 The reinstatement of the arrangement for a Debt Recovery Partner employee to work within the Debt Recovery Team, accessing council systems one day a week to undertake joint recovery initiatives to increase revenue to the Council will be reviewed as public health restrictions ease.

## 8.0 IMPLICATIONS

### 8.1 Finance

#### Financial Implications:

##### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

##### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

### 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

#### Equalities

- (a) Has an Equality Impact Assessment been carried out?

	YES (see attached appendix)
X	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required

(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
X	NO

(c) Data Protection

Has a Data Protection Impact Assessment been carried out?

	YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals.
X	NO

**8.5 Repopulation**

There are no repopulation issues arising from this report.

**9.0 CONSULTATIONS**

9.1 None

**10.0 BACKGROUND PAPERS**

10.1 None

**Council Tax**

**Non Domestic Rates**

Financial Year	Payments Received
	£000's
1993/94	1
1994/95	1
1995/96	2
1996/97	3
1997/98	4
1998/99	7
1999/00	8
2000/01	11
2001/02	12
2002/03	12
2003/04	11
2004/05	12
2005/06	15
2006/07	20
2007/08	27
2008/09	28
2009/10	30
2010/11	29
2011/12	33
2012/13	47
2013/14	54
2014/15	60
2015/16	84
2016/17	131
2017/18	201
2018/19	491
2019/20	1183
Total	2517

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	0
2005/06	0
2006/07	0
2007/08	0
2008/09	0
2009/10	0
2010/11	0
2011/12	0
2012/13	0
2013/14	3
2014/15	3
2015/16	8
2016/17	5
2017/18	18
2018/19	112
2019/20	92
Total	241

Appendix 2

Debt Recovery Partnership Performance  
Comparison 2018/19 & 2019/20

	2018/19 £000's	2019/20 £000's	Difference £000's	%
<b>Council Tax</b>	2582	2517	-65	-2.52%
<b>Non Domestic Rates</b>	548	241	-307	-56.02%
<b>Total</b>	<b>3130</b>	<b>2758</b>	<b>-372</b>	<b>-11.88%</b>

**Appendix 3**

	<b>Position 31/03/2020 £'000</b>	<b>Position 31/03/2019 £'000</b>	<b>Movement £'000</b>
<b><u>Council Tax</u></b>			
Gross Debt	16,657	16,366	291
Less: Bad Debt Provision	<u>15,443</u>	<u>15,392</u>	<u>51</u>
Net Debt	<u>1,214</u>	<u>974</u>	<u>240</u>
<b><u>Sundry Debt</u></b>			
Gross Debt	3,269	1,181	2,088
Less: Bad Debt Provision	<u>412</u>	<u>333</u>	<u>79</u>
Net Debt	<u>2,857</u>	<u>848</u>	<u>2,009</u>
<b><u>Industrial &amp; Commercial Rent</u></b>			
Gross Debt	156	106	50
Less: Bad Debt Provision	<u>43</u>	<u>39</u>	<u>4</u>
Net Debt	<u>113</u>	<u>67</u>	<u>46</u>
<b><u>Statutory Additions</u></b>			
Gross Debt	3,038	2,990	48
Less: Bad Debt Provision	<u>3,038</u>	<u>2,990</u>	<u>48</u>
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<b><u>Long Term Debtors</u></b>			
Gross Debt	1,717	2,492	(775)
Less: Bad Debt Provision	<u>0</u>	<u>0</u>	<u>0</u>
Net Debt	<u>1,717</u>	<u>2,492</u>	<u>(775)</u>
<b><u>Overall Totals</u></b>			
Gross Debt	24,837	23,135	1,702
Less: Bad Debt Provision	<u>18,936</u>	<u>18,754</u>	<u>182</u>
Net Debt	<u>5,901</u>	<u>4,381</u>	<u>1,520</u>



**2019/20 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	16,366	39,234	(38,610)	(333)	16,657
Less: Bad Debt Provision <sup>2</sup>	15,392	384		(333)	15,443
Net Debt	974	38,850	(38,610)	0	1,214
<b><u>Sundry Debt</u></b>					
Gross Debt	1,181	11,437	(9,331)	(18)	3,269
Less: Bad Debt Provision	333	97		(18)	412
Net Debt	848	11,340	(9,331)	0	2,857
<b><u>Industrial &amp; Commercial Rent</u></b>					
Gross Debt	106	779	(741)	12	156
Less: Bad Debt Provision	39		(8)	12	43
Net Debt	67	779	(733)	0	113
<b><u>Statutory Additions</u></b>					
Gross Debt	2,990	353	(305)	0	3,038
Less: Bad Debt Provision	2,990	48			3,038
Net Debt	0	305	(305)	<sup>1</sup> 0	0
<b><u>Long Term Debtors</u></b>					
Gross Debt	2,492	0	(775)	0	1,717
Less: Bad Debt Provision	0				0
Net Debt	2,492	0	(775)	0	1,717
<b><u>Overall Totals</u></b>					
Gross Debt	23,135	51,803	(49,762)	(339)	24,837
Less: Bad Debt Provision	18,754	529	(8)	(339)	18,936
Net Debt	4,381	51,274	(49,754)	0	5,901

**Notes:**

<sup>1</sup> Statutory additions are not written off in year but cancelled. Closing position reflects live statutory addition balance as at 31st March 2020.

<sup>2</sup> Restated opening balance in line with final accounts correction.