
Report To:	Policy & Resources Committee	Date:	21 September 2010
Report By:	Chief Financial Officer	Report No:	FIN/57/10/AP/CMcL
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Subject:	Debt Recovery Performance 2009/10		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise Committee of the Council's Debt Recovery performance during 2009/10 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 in 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. The current contract runs until 31 March 2011 with the option to extend for a further year.
- 2.2 Although the main focus of debt recovery continues to be Council Tax resources are directed towards improving collection levels for Non Domestic Rates, Commercial Rents, Sundry Debts and Housing Benefit Overpayments.
- 2.3 Collection levels for 2009/10 in respect of accounts passed to Walker Love increased by £5,000. A detailed breakdown of the categories of debt can be seen at appendix 2. In Year collections from the Council's Debt Recovery Team increased by £76,000.
- 2.4 Despite a challenging year due to changes to the Bankruptcy and Diligence Act as well as the ongoing difficulties due to the economic climate the Council Tax In year Collection level reached its highest ever level of 93.7% which is 0.4% higher than 2008/09.
- 2.5 Direct Debit uptake continued to rise in 2009/10 with 69.9% of In year receipts being received by this method of payment.
- 2.6 Collection levels for Non Domestic Rates, Sundry Debt and Housing Benefit recoveries were all improved on 2008/09 results.

3.0 RECOMMENDATIONS

- 3.1 That the Committee note the Council's good performance in the area of Debt Recovery in 2009/10.
- 3.2 That the Committee agrees to take up the option to extend the current arrangement with Walker Love for a further year to 31 March 2012.

Alan Puckrin
Chief Financial Officer

4.0 PERFORMANCE FOR 2009/10 – 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. The current contract runs until 31 March 2011 although there is the option to extend for 12 months.
- 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 by both parties.
- 4.3 The majority of the recovery activity concentrated on Council Tax arrears although Walker Love have also improved on 2008/09 performance for Sundry Debt, Non Domestic Rates and Housing Benefit Recoveries.
- 4.4 As reported to Committee last year, the new Bankruptcy and Diligence Act (BAD Act) continues to have an effect on collection. Despite the increase in 2009/10, cashflow to the Council continues to be affected. 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 recovers its debt, in effect adds in the region of three months onto the process before income reaches the Council.
- 4.5 Despite the difficulties with the economic climate and the new Bill, Inverclyde Council's In year collection level increased by 0.4% to 93.7%. This is the Council's best ever In Year collection. Eleven Councils in Scotland had a drop in In year collection levels for 2009/10.
- 4.6 Prior year collection continues to become more difficult year after year and this is reflected in the targets set for Walker Love with the 2010/11 Council Tax target set at £1.222m, being £60,000 less than that set for 2009/10. The Council in partnership with Walker Love is striving to develop and improve the efficiency of its debt collection and continues to implement initiatives which will primarily target prior year collection.
- 4.7 Since 2008/09 Walker Love have invested in staff training and technology upgrades which have contributed towards the increase in performance. They have also adopted additional enforcement strategies a few examples being, more telephone contact, ad hoc lettering campaigns, being proactive as soon as a debtor defaults on a payment plan and referring appropriate cases for employment checks so that wage arrestments can be considered.
- 4.8 Direct Debit uptake has risen again in 2009/10 from 68.2% of in year receipts in 2008/09 to 69.9% in 2009/10. 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.
- 4.9 The Debt Recovery Team based in the Municipal Buildings have also increased their in year collection figure by £76,000 compared to 2008/09 performance. In the current climate this is a commendable and along with the Revenues Team this achievement contributed to the rise in collections by processing exemptions, discounts etc effectively and managing the billing process well.

- 4.10 A statement of the Debt Partnership performance is set out in Appendix 1 and Appendix 2. The Debt Partner collected approximately £1.9 million excluding direct payments to the Council in 2009/10 against a target of £2 million. Overall collection including direct payments to the Council was £2.884 million against a collection figure of £2.879 million in 2008/09.
- 4.11 Finally, the figures illustrate for another year the difficulty in collecting Community Charge debt some of which is now 20 years old and about to become prescribed. The sum collected in 2009/10 was £18,000 compared to £40,000 in 2008/09. Discussions are taking place between the Scottish Directors of Finance as to how the remaining debt should be treated across Scotland.

5.0 OVERALL POSITION OF COUNCIL DEBT AS AT 31 MARCH 2010

- 5.1 The gross debt as at 31 March 2010 is £28.116 million as shown in Appendix 3. There is a bad debt provision of £23.808 million, leaving net collectable debt of £4.308 million. This is a decrease of £386,000.
- 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 Council policies.
- 5.3 It should be noted that the above figures reconcile to the 2009/10 Accounts.

6.0 PLANS FOR 2010/11

- 6.1 Revenues staff will continue to work with the Debt Partner in 2010/11 on a rolling programme of write offs for uncollectable Council Tax and Community Charge debt.
- 6.2 In 2009/10, the Debt Management Partnership initiated sequestration proceedings in 29 cases, 15 of which came to court resulting in these debtors being declared bankrupt. To date 5 payments amounting to £55,855.51 have been received due to negotiations with debtors selected for sequestration. An additional £5,707.68 has been recovered during 2009/10 from sequestrations that were granted in previous financial years.
- 6.3 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. The numbers of sequestration cases fell by 45 in 2009/10. This is partly due to the current economic climate meaning that the market value of property has dropped there is less equity available.
- 6.4 Officers are aware of the social and financial inclusion issues in Inverclyde and 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 increase their understanding of these matters.
- 6.5 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 were set up in 2009/10 to ensure that resources are appropriately directed to specific areas of debt ensuring income maximisation.

- 6.6 As noted to the Policy and Resources Committee in last years Report an exercise was to take place to run a data matching exercise matching outstanding Council Tax debts against the Council's payroll system. The results from this exercise as at the end of June 2010 showed that 188 Inverclyde employees had Council Tax arrears totalling £309,000 but no arrangements in place. The Debt Recovery Team have been working hard with employees to come to a suitable arrangement for re-payment. There now only remains 19 individuals all in lower paid jobs who have not yet set up a repayment arrangement. This exercise will be undertaken on an annual basis.
- 6.6 The targets for Council Tax collection for 2010/11 have been set after negotiation with Walker Love and while it is accepted that they are still challenging, it is believed that they are achievable. The targets set are:
- for current year - £1,024,383**
for prior years – £1,222,000
- 6.7 Prior year collection continues to become more difficult year after year and this is reflected in the targets. In year collection for 2010/11 may be affected by the ongoing effect of the Charge for Payment and the current economic climate.
- 6.8 Officers are developing a “spend to save” proposal to increase debt collection as part of the 2011/13 budget.
- 6.9 The BAD Act went through more changes in 2009/10 which will have an impact on collection. There is now a protected sum for bank arrestments which means that the first £370 in the account cannot be taken for Council Tax. The threshold for earnings arrestments has also been changed so that less weekly amounts can be deducted throughout the earnings bands.

7.0 IMPLICATIONS

- 7.1 Financial – The Debt Partners performance is critical for the recovery of debt for the Council therefore it is encouraging to see that in a difficult economic year the Council has achieved its best ever In Year collection.
- 7.2 Legal – None
- 7.3 Human Resources – 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 and choice of payment dates this makes it easier for everyone to make payments to the Council.

10.0 BACKGROUND PAPERS - None

ANALYSIS OF DEBT PARTNER PERFORMANCE 2009/10

Appendix 1

Council Tax

Financial Year	Combined 000's
1993/94	4
1994/95	7
1995/96	9
1996/97	13
1997/98	23
1998/99	35
1999/00	46
2000/01	60
2001/02	56
2002/03	50
2003/04	46
2004/05	47
2005/06	57
2006/07	72
2007/08	152
2008/09	487
2009/10	950
Total	2114

Non Domestic Rates

Financial Year	Payments Received 000's
1993/94	3
1994/95	2
1995/96	5
1996/97	2
1997/98	1
1998/99	0
1999/00	1
2000/01	7
2001/02	1
2002/03	2
2003/04	1
2004/05	13
2005/06	14
2006/07	17
2007/08	35
2008/09	110
2009/10	247
Total	461

Community Charge

Financial Year	Payments Received 000's
1989/90	1
1990/91	1
1991/92	1
1992/93	1
Other Income - All Yrs	14
Total	18

Other Debts

Type of Debt	Payments Received 000's
Sundry	165
Housing Benefits	20
Ind Rent	106
Total	291

Appendix 2

Debt Recovery Partnership Performance Comparison 2008/09 & 2009/10

	2008/09 £000	2009/10 £000	Difference £000	%
Council Tax	2109	2114	5	0.24%
Non Domestic Rates	452	461	9	1.99%
Community Charge	40	18	-22	-45.00%
Sundry Debt	144	165	21	14.58%
Housing Benefit	18	20	2	11.11%
Ind & Commercial Rent	116	106	-10	-8.62%
Total	2879	2884	5	0.17%

Appendix 3

	Position 31/03/2010 £'000	Position 31/03/2009 £'000	Movement £'000
<u>Council Tax</u>			
Gross Debt	14,718	14,012	706
Less: Bad Debt Provision	12,201	11,694	507
Net Debt	<u>2,517</u>	<u>2,318</u>	<u>199</u>
<u>Community Charge</u>			
Gross Debt	6,834	6,852	(18)
Less: Bad Debt Provision	6,834	6,852	(18)
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<u>House Rents (Residual)</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	1,978	2,567	(589)
Less: Bad Debt Provision	516	712	(196)
Net Debt	<u>1,462</u>	<u>1,855</u>	<u>(393)</u>
<u>Industrial & Commercial Rent</u>			
Gross Debt	227	345	(118)
Less: Bad Debt Provision	129	176	(47)
Net Debt	<u>98</u>	<u>169</u>	<u>(71)</u>
<u>Statutory Additions</u>			
Gross Debt	2,416	2,274	142
Less: Bad Debt Provision	2,416	2,274	142
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<u>Long Term Debtors</u>			
Gross Debt	231	352	(121)
Less: Bad Debt Provision	0	0	0
Net Debt	<u>231</u>	<u>352</u>	<u>(121)</u>
<u>Overall Totals</u>			
Gross Debt	28,116	28,114	2
Less: Bad Debt Provision	23,808	23,420	388
Net Debt	<u>4,308</u>	<u>4,694</u>	<u>(386)</u>

2009/10 Debtor Movements**Appendix 4**

	Opening Position £'000	Additions £'000	Payments/ Reliefs £'000	Write-Offs £'000	Closing Position £'000
<u>Council Tax</u>					
Gross Debt	14,012	33,930	(32,922)	(302)	14,718
Less: Bad Debt Provision	11,694	809		(302)	12,201
Net Debt	2,318	33,121	(32,922)	0	2,517
<u>Community Charge</u>					
Gross Debt	6,852		(18)	0	6,834
Less: Bad Debt Provision	6,852		(18)	0	6,834
Net Debt	0	0	0	0	0
<u>House Rents (Residual)</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	2,567	17,882	(18,230)	(241)	1,978
Less: Bad Debt Provision	712	45		(241)	516
Net Debt	1,855	17,837	(18,230)	0	1,462
<u>Industrial & Commercial Rent</u>					
Gross Debt	345	853	(967)	(4)	227
Less: Bad Debt Provision	176		(47)	0	129
Net Debt	169	853	(920)	(4)	98
<u>Statutory Additions</u>					
Gross Debt	2,274	400	(258)		2,416
Less: Bad Debt Provision	2,274	400	(258)		2,416
Net Debt	0	0	0	0	0
<u>Long Term Debtors</u>					
Gross Debt	352		(121)		231
Less: Bad Debt Provision	0				0
Net Debt	352	0	(121)	0	231
<u>Overall Totals</u>					
Gross Debt	28,114	53,065	(52,516)	(547)	28,116
Less: Bad Debt Provision	23,420	1,254	(323)	(543)	23,808
Net Debt	4,694	51,811	(52,193)	(4)	4,308