
Report To:	Policy & Resources Committee	Date:	20th September 2011
Report By:	Chief Financial Officer	Report No:	FIN/76/11/FB/AP
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Subject:	Debt Recovery Performance 2010/11		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise Committee of the Council's Debt Recovery performance during 2010/11 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. The current contract runs until 31 March 2012, however approval was received from the August Policy & Resources Committee to extend for a further period not to exceed 6 months so that the Council will know the outcome of the decision whether or not to join the Clyde Valley Shared Service before beginning a tendering exercise.
- 2.2 Although the main focus of debt recovery continues to be Council Tax resources are also directed towards improving collection levels for Non Domestic Rates, Commercial Rents, Sundry Debts and Housing Benefit Overpayments.
- 2.3 Collection levels for 2010/11 in respect of accounts passed to Walker Love increased by £35,000. 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 £34,000.
- 2.4 Despite a challenging year due to the ongoing effect of the Bankruptcy and Diligence Act and the economic climate, the Council Tax In year Collection level yet again reached its highest ever level of 94.03% which is 0.33% higher than 2009/10.
- 2.5 Direct Debit uptake continued to rise in 2010/11 with 71% 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 very much in line with 2009/10 results. Full details can be seen at Appendices 1 and 2.
- 2.7 Members agreed a spend to save Debt Recovery initiative as part of the 2011/13 budget. Performance against this will be reported as part of Committee budget monitoring report.

3.0 RECOMMENDATIONS

- 3.1 That the Committee note the Council's continued good performance in the area of Debt Recovery in 2010/11.

Alan Puckrin
Chief Financial Officer

4.0 PERFORMANCE FOR 2010/11 – DEBT PARTNERSHIP

- 4.1 The current contract with the Council's Debt Partners Walker Love and Co commenced on 01 April 2008. The current contract runs until 31 March 2012 and permission has been granted by Policy and Resources Committee to extend up to a maximum of a further 6 months. This is to ensure that the Council knows the decision with regard to Clyde Valley Shared Services before entering into a tendering exercise for a new contract.
- 4.2 The Revenues Management Team meet 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 still continue to collect for Sundry Debt, Non Domestic Rates and Housing Benefit Recoveries.
- 4.4 As reported to Committee on the last 2 annual Debt Management Performance reports, the Bankruptcy and Diligence Act (BAD Act) continues to have an effect on collection. The process of serving a charge for payment under the scheme coupled with the fact that a £48.80 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 effects of the BAD Act, Inverclyde Council's In year collection level increased by 0.33% to 94.03%. This is the Council's best ever In Year collection. Eight Councils in Scotland had a drop in In year collection levels for 2010/11.
- 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 2011/12 Council Tax target set at £1.1m, being £40,000 less than that set for 2010/11. 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 Walker Love have invested in further staff training and have recently replaced their telephony system which will allow them to prioritise calls and monitor outputs though better performance management reporting. They also continue to deploy methods such as ad hoc lettering campaigns, being proactive as soon as a debtor defaults on a payment plan and referring appropriate cases for employment traces so that wage arrestments can be considered.
- 4.8 Direct Debit uptake has risen again in 2009/10 from 68.9% of in year receipts in 2009/10 to 71% in 2010/11. A poster and leaflet campaign was carried out early in 2011 which helped towards a further increase in this method of payment. The Council offers 5 different dates in the month as well as offering weekly payments by direct debit along with the option to pay over 12 months in certain circumstances. As well as being customer friendly this method of payment is 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 £34,000 compared to 2009/10 performance. In the current climate this is 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 £1.85 million excluding direct payments to the Council in 2010/11 against a target of £2 million. Overall collection including direct payments to the Council was £2.13 million against a collection figure of £2.11 million in 2009/10.

- 4.11 In 2010/11 the collection level for Community Charge was £29,000 compared to £18,000 in 2009/10. This increase can be attributed towards an exercise clearing outstanding credits that were being held on the system. Before a refund is processed, a check is done for historical debt including Community Charge and any credits are offset against the arrears. Overall Community Charge is extremely difficult to collect and the first year of the Debt is now prescribed. Discussions are still ongoing 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 2011

- 5.1 The gross debt as at 31 March 2011 is £25.981 million as shown in Appendix 3. There is a bad debt provision of £22.576 million, leaving net collectable debt of £3.405 million. This is a decrease of £881,000 since 2009/10.
- 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.
- 5.3 It should be noted that the above figures reconcile to the 2010/11 Accounts.

6.0 PLANS FOR 2011/12

- 6.1 Revenues staff will continue to work with the Debt Partner in 2011/12 for the duration of the contract on a rolling programme of write offs for uncollectable Council Tax and Community Charge debt.
- 6.2 In 2010/11 the Debt Management Partnership initiated sequestration proceedings in 13 cases, 3 of which progressed to court resulting in these debtors being declared bankrupt. To date payments of £45,409.57 have been received in respect of the other 10 cases and some of the cases have ongoing arrangements. In addition to this, Walker Love issued 161 pre sequestration letters; resulting in payment of £43,495.22 to date for these cases.
- 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 16 in 2010/11. This is partly due to the current economic climate meaning that the market value of property has dropped there is less equity available. The pre sequestration letters and pro-active work of the in-house Debt Recovery Team has also contributed towards this decrease.
- 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 are in place along with conventional recovery methods to ensure that resources are appropriately directed to specific areas of debt ensuring income maximisation.
- 6.6 The In House Debt Recovery team completed an initiative following the first Summary Warrant petition. They identified debtors who have previously had a good payment history and issued them with a letter offering them the opportunity to make an arrangement to settle their Council tax in monthly instalments by Direct Debit, thus avoiding any necessary correspondence or fees being recovered in the recovery of the debt. This also negates the requirement for the Council to pay commission costs.

6.7 The exercise identified 399 debtors with a good payment history and the Debt Recovery Team contacted these individuals by letter or telephone and managed to set up 128 direct debit arrangements. Payments of £65,211.10 were received against these accounts during the exercise and a further 266 arrangements were made for a debt value of £237,234.00.

6.8 The targets for Council Tax collection for 2011/12 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 - £1,020,000

for prior years – £1,200,000

6.9 Prior year collection continues to become more difficult year after year and this is reflected in the targets. In year collection for 2011/12 may be affected by the ongoing effect of the Charge for Payment and the current economic climate. Both the In-House Debt Recovery Team and Walker Love agree that 2010/11 has been the most difficult to collect Council Tax since the start of the Economic downturn.

6.10 As part of 2011/13 budget process a Debt Recovery spend to save initiative was agreed which is due to deliver £150,000 (net) annual savings – Performance against this target is measured via budget monitoring reports.

7.0 IMPLICATIONS

7.1 Financial – The Debt Partner's 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 2010/11

Appendix 1

Council Tax

Financial Year	Combined
	000's
1993/94	3
1994/95	4
1995/96	6
1996/97	10
1997/98	13
1998/99	23
1999/00	35
2000/01	46
2001/02	35
2002/03	36
2003/04	32
2004/05	34
2005/06	40
2006/07	46
2007/08	88
2008/09	164
2009/10	497
2010/11	1019
Total	2131

Non Domestic Rates

Financial Year	Payments Received
	000's
1993/94	0
1994/95	0
1995/96	0
1996/97	0
1997/98	2
1998/99	0
1999/00	2
2000/01	0
2001/02	0
2002/03	3
2003/04	4
2004/05	2
2005/06	9
2006/07	2
2007/08	19
2008/09	10
2009/10	163
2010/11	114
Total	330

Community Charge

Financial Year	Payments Received
	000's
1989/90	0
1990/91	0
1991/92	0
1992/93	1
Other Income - All Yrs	28
Total	29

Other Debts

Type of Debt	Payments Received
	000's
Sundry	267
Housing Benefits	15
Ind Rent	37
Total	319

Appendix 2

Debt Recovery Partnership Performance Comparison 2009/10 & 2010/11

	2009/10 £000	2010/11 £000	Difference £000	%
Council Tax	2114	2131	17	0.80%
Non Domestic Rates	461	330	-131	-28.42%
Community Charge	18	29	11	61%
Sundry Debt	165	267	102	61.82%
Housing Benefit	20	15	-5	-25.00%
Ind & Commercial Rent	106	37	-69	-65.09%
Total	2884	2809	-75	-2.60%

Appendix 3

	Position 31/03/2011 £'000	Position 31/03/2010 £'000	Movement £'000
<u>Council Tax</u>			
Gross Debt	14,982	14,718	264
Less: Bad Debt Provision	12,826	12,201	625
Net Debt	<u>2,156</u>	<u>2,517</u>	<u>(361)</u>
<u>Community Charge</u>			
Gross Debt	6,804	6,834	(30)
Less: Bad Debt Provision	6,804	6,834	(30)
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<u>Non - Domestic Rates</u>			
Gross Debt	0	0	0
Less: Bad Debt Provision	0	0	0
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<u>House Rents</u>			
Gross Debt	0	1,712	(1,712)
Less: Bad Debt Provision	0	1,712	(1,712)
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<u>Sundry Debt</u>			
Gross Debt	1,124	1,835	(711)
Less: Bad Debt Provision	288	373	(85)
Net Debt	<u>836</u>	<u>1,462</u>	<u>(626)</u>
<u>Industrial & Commercial Rent</u>			
Gross Debt	242	227	15
Less: Bad Debt Provision	112	129	(17)
Net Debt	<u>130</u>	<u>98</u>	<u>32</u>
<u>Statutory Additions</u>			
Gross Debt	2,546	2,416	130
Less: Bad Debt Provision	2,546	2,416	130
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<u>Long Term Debtors</u>			
Gross Debt	283	209	74
Less: Bad Debt Provision	0	0	0
Net Debt	<u>283</u>	<u>209</u>	<u>74</u>
<u>Overall Totals</u>			
Gross Debt	25,981	27,951	(1,970)
Less: Bad Debt Provision	22,576	23,665	(1,089)
Net Debt	<u>3,405</u>	<u>4,286</u>	<u>(881)</u>

Figures have been restated for final accounts

2010/11 Debtor Movements

Appendix 4

	Opening Position £'000	Additions £'000	Payments/ Reliefs £'000	Write-Offs £'000	Closing Position £'000
<u>Council Tax</u>					
Gross Debt	14,718	33,603	(33,059)	(280)	14,982
Less: Bad Debt Provision	12,201	905		(280)	12,826
Net Debt	2,517	32,698	(33,059)	0	2,156
<u>Community Charge</u>					
Gross Debt	6,834		(30)	0	6,804
Less: Bad Debt Provision	6,834		(30)	0	6,804
Net Debt	0	0	0	0	0
<u>Non - Domestic Rates</u>					
Gross Debt	0	0	0	0	0
Less: Bad Debt Provision	0	0		0	0
Net Debt	0	0	0	0	0
<u>House Rents</u>					
Gross Debt	1,712	0	0	(1,712)	0
Less: Bad Debt Provision	1,712	0		(1,712)	0
Net Debt	0	0	0	0	0
<u>Sundry Debt</u>					
Gross Debt	1,835	16,660	(17,196)	(175)	1,124
Less: Bad Debt Provision	373	90		(175)	288
Net Debt	1,462	16,570	(17,196)	0	836
<u>Industrial & Commercial Rent</u>					
Gross Debt	227	807	(732)	(60)	242
Less: Bad Debt Provision	129		(17)	0	112
Net Debt	98	807	(715)	(60)	130
<u>Statutory Additions</u>					
Gross Debt	2,416	389	(259)		2,546
Less: Bad Debt Provision	2,416	389	(259)		2,546
Net Debt	0	0	0	0	0
<u>Long Term Debtors</u>					
Gross Debt	209	132	(58)		283
Less: Bad Debt Provision	0				0
Net Debt	209	132	(58)	0	283
<u>Overall Totals</u>					
Gross Debt	27,951	51,591	(51,334)	(2,227)	25,981
Less: Bad Debt Provision	23,665	1,384	(306)	(2,167)	22,576
Net Debt	4,286	50,207	(51,028)	(60)	3,405