
Report To:	Policy & Resources Committee	Date:	23 September 2014
Report By:	Acting Corporate Director Environment, Regeneration & Resources	Report No:	FIN/47/14
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Subject:	Debt Recovery Performance 2013/2014		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise Committee of the Council's Debt Recovery performance during 2013/2014 and 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 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 2017.
- 2.2 The contract with Alex M Adamson is for the recovery of Council Tax and Non Domestic Rates, although they will undertake other Debt Recovery Work on an ad-hoc basis. 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.
- 2.3 Collection levels for 2013/14 in respect of 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. Alex M Adamson LLP continue to be very effective partners both in terms of their collection results to date and also in the ease of communication with them. They continue to operate 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 the Council Tax In year Collection level increased by 0.3% to 94.5% which is a significant achievement and can be attributed to the hard work of the Council's Revenue Services.
- 2.5 Payment by Direct Debit continued to rise in 2013/14 with 74.8% of in year receipts being received by this method of payment compared to 74.0% in 2012/13.
- 2.6 The collection level for Non Domestic Rates was 95.95%, a decrease of 1.1% from 2012/13. Full details can be seen at Appendices 1 and 2.

3.0 RECOMMENDATIONS

- 3.1 That the Committee note the Council's continued good performance in the area of Debt Recovery in 2013/14 and that the Council has extended the contract of Alex M Adamson to 31 March 15.

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 2017.

5.0 2013/14 DEBT PARTNERSHIP PERFORMANCE

- 5.1 The Revenues Management Team meet regularly with Alex M Adamson 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 and below as and when required.
- 5.2 Alex M Adamson LLP are proving to be very effective partners both in terms of their collection results to date but also in the ease of communication with them. They continue to operate an office in Cathcart Street where individuals can make payments and basic enquires.
- 5.3 Despite the difficulties with the economic climate, changing debt partner and the effects of the BAD Act, (which means that the £76.45 charge for payment needs to be recovered before the Council receives any monies) Inverclyde Council's In year collection level rose to 94.5%.
- 5.4 The Debt Recovery Team based in the Municipal Buildings improved their in year collection figure from 2012/13, increasing collections by £7000. Considering the difficult economic climate, this is a commendable effort and along with the Revenues Team this achievement contributed to achieving the best ever In Year collection level by processing exemptions, discounts effectively and managing the billing process well.
- 5.5 Prior year collection is difficult to collect and becomes increasingly difficult with the passage of time. In 2013/14 however, the best to date prior year collection was achieved bringing in £1.067m compared to £955,000 in 2012/13. This is attributable to the hard work of both the new Debt Partners Alex M Adamson LLP and the in-house Debt Recovery Team.
- 5.6 There were three sequestration actions raised in 2013/14; these were raised for a combination of council tax, rates and commercial rent. These sequestrations have resulted in payments of £25,000 being made. 2014/15 will see more accounts identified and sequestration proceedings raised against debtors that are in a position to pay but refuse to do so.
- 5.7 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 should be in a position to pay. It should be noted that the current economic climate has resulted in less equity being available due to the drop in the market value of property.
- 5.8 Direct Debit uptake has risen again in 2013/14 from 74% of in year receipts in 2012/13 to 74.8% in 2013/14. Following the success of previous campaigns, a leaflet promoting Direct Debit was once again enclosed with the annual Council Tax bills.
- 5.9 Officers are aware of the social and financial inclusion issues in Inverclyde and continue to 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.

- 5.10 This year, the Debt Recovery Team have set up 349 arrangements with a total debt value of £247,897 and continue to increase these arrangements to avoid passing debtors across to the Sheriff Officer. This protects the individuals from future 'charges for payment' and saves the Council commission charges.
- 5.11 A statement of the Debt Partnership performance is set out in Appendix 1 and Appendix 2. The Debt Partners collected approximately £2.2 million in council tax.
- 5.12 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 has resulted in a £139,000 increase in Council Tax income with a total of £480,991 being received in 2013/14 compared to £341,091 in 2012/13.

6.0 OVERALL POSITION OF COUNCIL DEBT AS AT 31 MARCH 2014

- 6.1 The gross debt as at 31 March 2014 is £22.329 million as shown in Appendix 3. There is a bad debt provision of £17.342 million, leaving net collectable debt of £4.987 million. This is an increase of £0.15million since 2012/13
- 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.
- 6.3 It should be noted that the above figures reconcile to the 2013/14 Accounts.

7.0 PLANS FOR 2014/15

- 7.1 Work will continue consolidating the improvements made and liaison will continue Alex M Adamson LLP to generate more robust statistical information from the Debt Partners which will help forward planning for debt recovery.
- 7.2 The In-house Debt Recovery team continues to pursue Sundry Debt (including Commercial Rents) and Housing Benefit overpayments. 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 who can demonstrate initiative and low cost.
- 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 along with conventional recovery methods to ensure that resources are appropriately directed to specific areas of debt ensuring income maximisation.

8.0 IMPLICATIONS

- 8.1 Financial – The Debt Partners' performance is critical for the recovery of debt for the Council therefore it is encouraging to see that despite another difficult year due to the ongoing difficult economic climate that the Council has managed to improve both its In Year and Prior Year collection levels.
- 8.2 Legal – None.
- 8.3 Human Resources – None.
- 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 BACKGROUND PAPERS

9.1 None.

ANALYSIS OF DEBT PARTNER PERFORMANCE 2013/14

Appendix 1

Council Tax

Financial Year	Payments Received
	£000's
1993/94	2
1994/95	1
1995/96	2
1996/97	3
1997/98	6
1998/99	9
1999/00	14
2000/01	17
2001/02	18
2002/03	20
2003/04	17
2004/05	19
2005/06	28
2006/07	33
2007/08	48
2008/09	55
2009/10	78
2010/11	112
2011/12	163
2012/13	508
2013/14	1075
Total	2228

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	0
2002/03	0
2003/04	0
2004/05	0
2005/06	0
2006/07	0
2007/08	2
2008/09	3
2009/10	0
2010/11	2
2011/12	17
2012/13	131
2013/14	152
Total	307

Appendix 2

Debt Recovery Partnership
Performance Comparison
2012/13 & 2013/14

	2012/13 £000	2013/14 £000	Difference £000	%
Council Tax	2068	2228	160	7.74%
Non Domestic Rates	430	307	-123	-28.60%
Total	2498	2535	37	1.48%

Appendix 3

	Position 31/03/2014 £'000	Position 31/03/2013 £'000	Movement £'000
<u>Council Tax</u>			
Gross Debt	16,154	15,779	375
Less: Bad Debt Provision	14,123	13,773	350
Net Debt	<u>2,031</u>	<u>2,006</u>	<u>25</u>
<u>Sundry Debt</u>			
Gross Debt	1,111	917	194
Less: Bad Debt Provision	356	325	31
Net Debt	<u>755</u>	<u>592</u>	<u>163</u>
<u>Industrial & Commercial Rent</u>			
Gross Debt	106	121	(15)
Less: Bad Debt Provision	52	57	(5)
Net Debt	<u>54</u>	<u>64</u>	<u>(10)</u>
<u>Statutory Additions</u>			
Gross Debt	2,811	2,713	98
Less: Bad Debt Provision	2,811	2,713	98
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<u>Long Term Debtors</u>			
Gross Debt	2147	2,175	(28)
Less: Bad Debt Provision	0	0	0
Net Debt	<u>2,147</u>	<u>2,175</u>	<u>(28)</u>
<u>Overall Totals</u>			
Gross Debt	22,329	21,705	624
Less: Bad Debt Provision	17,342	16,868	474
Net Debt	<u>4,987</u>	<u>4,837</u>	<u>150</u>

2013/14 Debtor Movements

Appendix 4

	Opening Position £'000	Additions £'000	Payments/ Reliefs £'000	Net Write-Offs £'000	Closing Position £'000
Council Tax					
Gross Debt	15,779	34,138	(33,555)	(208)	16,154
Less: Bad Debt Provision	13,773	558		(208)	14,123
Net Debt	2,006	33,580	(33,555)	0	2,031
Sundry Debt					
Gross Debt	917	6,867	(6,634)	(39)	1,111
Less: Bad Debt Provision	325	70	0	(39)	356
Net Debt	592	6,797	(6,634)	0	755
Industrial & Commercial Rent					
Gross Debt	121	842	(857)	0	106
Less: Bad Debt Provision	57	0	(5)	0	52
Net Debt	64	842	(852)	0	54
Statutory Additions					
Gross Debt	2,713	366	(268)	NA	2,811
Less: Bad Debt Provision	2,713	366	(268)	N/A	2,811
Net Debt	0	0	0	0 ²	0
Long Term Debtors					
Gross Debt	2,175	14	(42)	0	2,147
Less: Bad Debt Provision	0				0
Net Debt	2,175	14	(42)	0	2,147
Overall Totals					
Gross Debt	21,705	42,227	(41,356)	(247)	22,329
Less: Bad Debt Provision	16,868	994	(273)	(247)	17,342
Net Debt	4,837	41,233	(41,083)	0 ¹	4,987

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 2014.