

Appendix B

Debtors 3rd Quarter Report October-December 2008**Head of Revenues and Customer Focus**

Summary: This is the third quarter performance report on the level of Council Tax, National Non-Domestic Rates, Sales Ledger and Housing Benefit Overpayment debts

- Conclusions:**
- Council Tax in-year collection rates are on target. Collection of arrears is becoming harder.
 - Business Rates collection rates are starting to fall.
 - Take up of Direct Debit is decreasing although we are currently marketing this with a view to capturing new payers by offering a range of payment options.
 - Collection of Sales Ledger debts is stable. All of the very old debts as a result of moving from the previous Revenues system, and Housing Transfer, are being collected by instalment payments, are with a debt collection agency or are being written off.

Recommendations: Cabinet is asked to note the position to the 31st December 2008.

| | |
|--------------------|-------------------|
| Cabinet member(s): | Ward(s) affected: |
| Garry Wheatley | All |

Contact Officer, telephone number, and e-mail:

Tanya Tilford 01508 533887
ttilford@s-norfolk.gov.uk

1. Background

- 1.1. In 2006 Scrutiny Committee asked to review our debt monitoring arrangements. Subsequently it was agreed to monitor performance quarterly, as required by the Use of Resources Assessment/ Annual Governance Statement. This report is an update for the third quarter of this financial year to 31st December 2008.

2. Decision Sought

- 2.1. Cabinet notes the position to the 31st December 2008.

3. Proposal and Reasons

Council Tax collection

- 3.1. Collection at the end of December was 87.48%, which is 0.19% up on the same time last year, and up on the two years prior to that.
- 3.2. Collection of previous years arrears is now 4.02% down on the same time last year, showing us that those that were having difficulties in paying are finding it harder to meet their debts.
- 3.3. By value we are chasing a larger arrears figure this year (£815k).
- 3.4. We have sent over 1,500 more Reminder notices and Summonses from May to December than over the same period last year.

National Non-Domestic Rates (Business Rates) collection

- 3.5. Collection at the end of December was 88.44%. This is now down by 1.14% on last year. That said, we have raised an extra £120,000.00 Rate liabilities in December, which accounts for 0.5% of the difference and will only now be starting to be due for payment.
- 3.6. Ratepayers are now contacting us that are struggling to meet their Rates liabilities. In the short term there seems little prospect for improvement but we will continue to pursue any debts as sympathetically as possible.
- 3.7. As agreed, because of the nature and volatility of the previous year's arrears debts, we will report on their collection in the 4th quarter debtors report.

Sales Ledger Debts

- 3.8. Total overall debt is £802,000 (this includes the pre IBS benefit overpayments and LSVT transfer debts) and has risen by £222,000 on the previous quarter. Interestingly £85,000 of this amount has been invoiced during December 2008 to other local authorities and partner organisations in respect of work undertaken on their behalf.
- 3.9. Of this, the total debt outstanding over 365 days for ordinary sales ledger debts is £87,000, down from £95,000 in the previous quarter.
- 3.10. Gym Membership fees are now being accounted for and collected via the Club Runner system which enables us to reflect more accurately our local Performance Indicator for debts over 365 days as a % of the total outstanding (excluding loans), as an average of the last six months. This figure is 10.52%, which is ahead of our current year's target of 15%.

- 3.11. To ensure that the outstanding debt figure is a true reflection of debt owed and recoverable by the Council, it has been necessary to take the following actions:
- (i) Regular meetings with Service areas to ensure that recovery action is appropriate and justified.
 - (ii) Monitoring of debts marked as recovery held
 - (iii) Prompt write off of identified uncollectable debts
- 3.12. We continue to offer the option of instalment payments to all our debtors with the view of repayment either within six months or prior to the next invoice date, unless the debtor is able to substantiate the need for a longer repayment period.
- 3.13. Direct Debit payment is promoted at every opportunity for all our customers who are paying a regularly produced invoice and is made a condition of continuing service for customers who have defaulted on previous payment arrangements. We have a total of 335 debtors paying by this method.
- 3.14. More effort is being put in to chasing and clearing older debts to try to reduce the over 365 days figure. Debts in excess of £3,000.00 also remain a priority for action.
- 3.15. Detailed below is the aged debt analysis:

Period 0 to 30 days – £415,000

Invoices within this period are within the standard terms of payment period and are therefore not yet overdue.

This figure shows an increase of £85,000 in comparison with the 2nd quarter.

Period 1 month – 6 months £98,000

This figure shows a reduction of £13,000 in comparison with the 2nd quarter.

All outstanding debts within this period are subject to reminders at the following timescales:

1st reminder stage (Letter to debtor) at 30 days after invoice date

2nd reminder stage (Letter to debtor) at 44 days after invoice date

3rd reminder stage (Reference back to Service) at 58 days after invoice date

We refer back to the Service to ensure the probity of the debt and that there is supporting documentation. The Service is asked for authorisation for recovery to continue or to be temporarily “held”. This latter course of action is a temporary measure and must be for good reason

Recovery is then referred to an outside agent – either a firm of solicitors (Geoffrey, Parker Bourne solicitors) undertaking County Court action on our behalf or transfer to a debt collection agency (Philips or Rossendales) on a percentage collection basis. This

depends on the debtor's circumstances and the most appropriate course of successful recovery action likely.

At all times within the recovery cycles we may sometimes "hold" recovery action for particular debt cases where further information/action is required which will delay, for a period, the next scheduled recovery stage. Additionally we will also agree instalment repayment programmes appropriate to our debtor's circumstances.

Period 6 months – 1 year £43,000

This figure shows a reduction of £1,000 in comparison with the 2nd quarter.

Typically debts that fall within this period have had all standard reminders and may now be subjected to further sustained recovery action dependant on the size and type of debt. These include telephone recovery, traces undertaken and ongoing action by the outside debt recovery agent.

As in the previous period, we may "hold" recovery action if we are investigating a query in respect of the debt or agree instalment repayment.

Period over 1 year – £86,000

This figure shows a reduction of £8,000 in comparison with the 2nd quarter.

Debts that are in excess of 1 year old are mainly being paid by instalment or are being actively chased by outside debt collections agents. Additionally at this stage we become aware of debt that becomes uncollectible and is therefore put forward for write-off.

| Year debt raised | Outstanding Balance | Cleared % rate of all debts |
|---|---------------------|-----------------------------|
| 1 st April 2003 to 31 st March 2004 | £ 5,623.38 | 99.88% |
| 1 st April 2004 to 31 st March 2005 | £ 3,674.51 | 99.92% |
| 1 st April 2005 to 31 st March 2006 | £ 6,402.24 | 99.86% |
| 1 st April 2006 to 31 st March 2007 | £ 38,115.01 | 99.18% |
| 1 st April 2007 to 31 st March 2008 | £ 72,570.88 | 98.43% |

We are continuing to write-off the uncollectable debts promptly.

Pre-IBS Housing Benefit Debts

- 3.16. Debt continues to reduce and now stands at £62,000.00 with 62 debtor accounts outstanding.

Housing debts prior to LSVT

- 3.17. Debt continues to reduce and now stands at £98,000.00 with 139 debtor accounts outstanding.
- 3.18. For all debts listed at 3.16 and 3.17, these are now either being paid by instalments, passed to a debt collection agent or passed for write off. We regularly review that these cases are being progressed in one way or another and are satisfied that the most appropriate methods of recovery are being adopted.
- 3.19. It must be recognised that not all these debtors are in default and refuse to pay. Many have entered into instalment arrangements determined by their income/expenditure, which will result in these debts taking a long time to clear.

IBS Housing Benefit Overpayment Debts

- 3.20. Outstanding debt at the 30th September 2008 was £373,821.00. Further debt identified during the third quarter is £98,706.00. We have recovered £72,278.00 and written off £6,942.00 during the third quarter.
- 3.21. We continue to agree and monitor special arrangements where debtors are unable to pay in full. In addition, unpaid debts are passed to the debt collector for further action. We can also request that the Department for Work and Pensions recover the debt on our behalf by deductions from ongoing state benefits where allowed. We can also recover from ongoing Housing Benefit, which is normally our first course of action.
- 3.22. The oldest debt outstanding for these debts is now March 2004.

4. Relevant Corporate Objectives

- 4.1. Priority 1- Be Business-like and efficient.

5. Other Options

- 5.1. None to consider.

6. Implication – Risk, Financial, Legal, Environmental, Climate Change, Equalities, Biodiversity and Crime Reduction

- 6.1. If we failed to collect debts in an efficient manner, the Council could suffer financial loss, with a risk to its reputation. Although sympathetic to the needs of

our customers, Revenue Services takes its responsibilities to the Council Tax payers in the District very seriously.

- 6.2. If the economic recession continues over a period of time, there is inevitably going to be more issues with customers unable to pay their bills, and the national statistics already show an increase in bankruptcy cases and a rise in property repossessions.
- 6.3. Although this report relates to the 3rd quarter, indications at the end of January show that Direct Debit numbers are slightly decreasing, and collection rates are now in decline.
- 6.4. This year has seen a significant rise in workload for the Revenues and Benefits Service, particularly during the last 2 quarters.
- 6.5. The Recovery Team has experienced a 50% increase in the number of phone calls (just under 2,000 extra calls) over the same period last year.
- 6.6. The number of reminders and summonses issued to the end of December for Council Tax is up by over 12% on the same time last year, and of those summonsed the number of cases still unpaid after the court hearing is up by just under 12%.
- 6.7. The number of reminders and summonses issued to the end of December for Business Rates is up by nearly 10% on the same time last year, and of those cases summonsed the number of cases still unpaid after the court hearing is up by over 42%.
- 6.8. New Housing and Council Tax Benefit claims for December were 80% up on the same period last year.
- 6.9. For the 3rd quarter to December, overall we had seen a 36.5% increase over the same period last year.

| Period | New Claims Processed |
|-----------------------------|-----------------------------|
| April – June 2007 | 983 |
| July – September 2007 | 1028 |
| October-December 2007 | 869 |
| Total April – December 2007 | 2880 |
| | |
| April – June 2008 | 1015 |
| July – September 2008 | 1191 |
| October-December 2008 | 1186 |
| Total April – December 2008 | 3392 |

6.10. This also has a knock on effect to other work in the Benefits Team, such as recovery of overpayments, and potentially an increase in Benefit Fraud casework.

7. Conclusion

7.1. Council Tax in-year collection rates are on target. Collection of arrears is becoming harder.

7.2. Business Rates collection rates are starting to fall.

7.3. Take up of Direct Debit is decreasing although we are currently marketing this with a view to capturing new payers by offering a range of payment options.

7.4. Collection of Sales Ledger debts is stable. All of the very old debts as a result of moving from the previous Revenues system, and Housing Transfer debts, are being collected by instalment payments, with a debt collection agency or being written off.