

REDDITCH BOROUGH COUNCIL

**AUDIT AND GOVERNANCE
COMMITTEE**

16th January 2014

DEBT RECOVERY UPDATE - QUARTERS 1 AND 2 2013/14

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda de Warr, Head of Customer Access and Financial Support
Ward(s) Affected	All
Ward Councillor(s) Consulted	N/A
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 This report advises members on the collection and recovery processes of Council's Income Team.
- 1.2 The report updates members on outstanding debt levels

2. RECOMMENDATIONS

The Audit and Governance is asked to RESOLVE:

- 2.1 That the contents of the report are noted, and
- 2.2 Consider whether a regular 6 monthly update report is required, and instruct officers accordingly.

3. KEY ISSUES

- 3.1 The role of the Income Team is a centralised invoicing and collection service for miscellaneous debts and Former Tenancy Arrears to Redditch Borough Council.
- 3.2 Alongside this the Team administers and collects the residual council house mortgage scheme and staff car loans.

Financial Implications

- 3.3 Former tenancy arrears, whilst relatively low in numbers, create the most work for the Income Team of any individual debt type. This is due to the debt recovery process in relation to these debts being extremely labour intensive.
- 3.4 Current former tenancy arrears for 2013/14 at the end of the second quarter total £336,723. This relates to 395 individual cases.
- 3.5 The level of arrears on Former Tenancy accounts is the lowest in 6 years with arrears reducing year on year as shown for the last three years in the following chart.

REDDITCH BOROUGH COUNCIL

**AUDIT AND GOVERNANCE
COMMITTEE**

16th January 2014

Year	Total Debt outstanding	New debts raised
2010/2011	£476,772	£147,505
2011/2012	£375,175	£128,020
2012/2013	£333,659	£104,994

Over the last few years we have been able to put more resources into debt recovery in relation to these debts which we believe has resulted in the corresponding drop in outstanding debts. In addition, the Housing Team work more closely with tenants before arrears escalate which has resulted in a drop in new debts created.

- 3.6 All other payments due to the Council are categorised as general invoice collection and relate to a wide variety of debts, including licencing, hire of Council buildings, domestic and commercial service charges, garage rentals, lifeline charges, commercial rents and allotments.
- 3.7 Each invoice that is raised has credit terms attached – this is the number of days the customers has to pay before a reminder process starts. There are numerous different recovery timescales and reminder notices dependant on the debt type.
- 3.8 The total arrears outstanding at 30th September 2013 were £917,962. This was made up 11,335 outstanding invoices or instalments issued to date, many of which will be paid before the end of the financial year.
- 3.9 The current collection rate for general debt is 79%. This compares with a 66% at the same point 6 years ago demonstrating that collection rates are increasing steadily each year. The following table shows the total debt outstanding at the end of each financial year for the last three years along with the total number and value of new invoices raised.

Year	Total Debt outstanding	Number of outstanding invoices	New invoices raised	Number Live Accounts	Number Invoices Raised
2010/2011	£1,671,18	3,694	£7,163,205	24,343	36,695
2011/2012	£2,038,243	3,266	£7,501,580	26,488	34,012
2012/2013	£991,713	2,826	£8,619,938	28,166	26,265

The total debt and number of outstanding debts relate to many years and these are the totals outstanding at the end of each financial year.

There are a number of reasons for the increase in collection rates. Again we have been able to use our resources more effectively through changes to processes.

Housing Benefits Overpayments are now dealt with within the Benefits Service, by a specialist officer.

**AUDIT AND GOVERNANCE
COMMITTEE**

16th January 2014

Changes have been made in relation to the recharge of repairs to void properties. These were traditionally almost impossible to collect and created a large amount of waste work in the team, costing more to process than the money received in. There has been no recharge for this current financial year and therefore you see a corresponding impact overall on collection rate.

Clearer guidance and challenging of current procedures has been developed for staff which has resulted in better processing.

- 3.10 Within our internal collection processes we may refer cases to the Court. A judgement must be made as to the likelihood of such action resulting in a positive outcome as the fees increase the overall debt and will cost us if that debt is not recovered.
- 3.11 Court fees are determined by the Court and depending on the amount of outstanding debt. The Council pays this fee when we pass the case to Court and this is recharged to the customer, as part of the overall debt.

In addition Issue Costs are applied as follows:

Court agrees judgement and no challenge	£22.00
Warrant of Execution - (covers the costs of the County Court bailiff collecting the monies owed (potentially through an arrangement)	£100.00
Attachment of Earnings	£100.00
Charging Order (applies when not possible to recover the money but debtor has assets)	£100.00
Reissue - of the warrant	£30.00

Legal Implications

- 3.12 The process of debt recovery is governed by various acts including County Court Act 1984, Tribunals, Courts and Enforcement Act 2007

Service / Operational Implications

- 3.13 The recovery process taken varies depending on the debt in question. This is due to variable credit terms and recovery periods. Attached at Appendix 2 is a summary of the recovery action taken on 2 different debt types plus action taken for collection of former tenancy arrears.
- 3.14 Each case can require a range of recovery paths as the customers circumstances can change during the lifetime of the debt.

**AUDIT AND GOVERNANCE
COMMITTEE**

16th January 2014

- 3.15 Our income management system dates back to Oct 2006 but many of the 293 debts outstanding totalling £190,488 date back further. These are still live on the system and deemed collectable. 28 debts older than Oct 2006 relating to Former Tenancy arrears and total £28,112 are live and considered inappropriate to be written off.
- 3.16 No debt is written off until all recovery paths have been exhausted or it is deemed uneconomical for the Authority to incur additional court fees.

Customer / Equalities and Diversity Implications

- 3.17 It is important for the Council's reputation to evidence to customers that that every effort is made to recover debts to the Council.
- 3.18 The process for the recovery of debts is equitable and proportionate.
- 3.19 Efforts are made to contact customers by telephone at various stages of the recovery process depending on the circumstances or type of debt. For example, Lifeline customer are always contacted by telephone (where it is possible to do so) before we take further recovery action. Where customers are known to us, or, have a history of late payment, or require additional support to make payments the team will make contact via telephone to support the individual needs of the customer.
- 3.20 Where possible realistic arrangements are always made to help support customers in debt, and individual circumstances are taken into account.

4. RISK MANAGEMENT

- 4.1 Failure to have appropriate debt recovery processes in place could result in an increase in unpaid debt which would impact on the Council's finances.

5. APPENDICES

Appendix 1 - Recovery Process

6. BACKGROUND PAPERS

AUTHOR OF REPORT

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