

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

3rd July 2014

DEBT RECOVERY UPDATE - QUARTERS 3 AND 4 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 the Council's Income Team.
- 1.2 The report updates members on outstanding debt levels.

2. RECOMMENDATIONS

The Audit and Governance is asked to RESOLVE:

That the contents of the report are noted

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 Current former tenancy arrears for 2013/14 at the end of the fourth quarter total £308,850. This relates to 359 individual cases.
- 3.4 There continues to be a downward trend in Former Tenancy arrears, due to the reducing year on year as shown in the following chart.

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
2013/2014	£308,850	£122,316

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- 3.5 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.
- 3.6 A total 26,446 invoices were issued during 2013/14.
- 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 current collection rate for general debt is 84% and the number of outstanding invoices at the end of the year has reduced compared with last year.
- 3.9 The total arrears outstanding on general debt as at 31st March 2014 was £1,187,269. This compares with £991,713 in 2012/13 but equates to over 200 less outstanding invoices. As the value of the invoices varies the number of outstanding debts provides a more useful measure as the success of the debt recovery processes.
- 3.10 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 (General Debt)	Number of outstanding invoices	New invoices raised	Number Live Accounts	Number Invoices Raised
2010/2011	£1,671,180	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
2013/2014	£1,186,094	2,612	£6,512,010	29,747	26,446

- 3.11 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.
- 3.12 Housing Benefits Overpayments are now dealt with within the Benefits Service, by a specialist officer.
- 3.13 The team continues to challenge current procedures and develop clear guidance to customers on our recovery practices.

Legal Implications

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

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Service / Operational Implications

- 3.15 The recovery process taken varies depending on the debt in question. This is due to variable credit terms and recovery periods.
- 3.16 Each case can require a range of recovery paths as the customers circumstances can change during the lifetime of the debt.
- 3.17 Our income management system dates back to Oct 2006 but many of the 280 debts outstanding totalling £184,969 date back further. These are still live on the system and deemed collectable. 27 debts older than Oct 2006 relating to Former Tenancy arrears and total £22,532 are live and considered inappropriate to be written off.
- 3.18 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

- 3.19 It is important for the Council's reputation to evidence to customers that that every effort is made to recover debts to the Council.
- 3.20 The process for the recovery of debts is equitable and proportionate.
- 3.21 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.
- 3.22 Where possible realistic arrangements are always made to help support customers in debt, and individual circumstances are taken into account.

4. RISK MANAGEMENT

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

None

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6. **BACKGROUND PAPERS**

None

AUTHOR OF REPORT

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