

REDDITCH BOROUGH COUNCIL

**AUDIT , GOVERNANCE AND
STANDARDS COMMITTEE**

22nd January 2015

DEBT RECOVERY UPDATE - QUARTERS 1 AND 2 2014/15

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

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 2014/15 at the end of the second quarter totals £332,911. This relates to 381 individual cases.
- 3.5 This is slightly higher than the number of cases at the end of 2013/14, but lower than at the same point in 2013/14 when there were 395 individual outstanding debts, totalling £336,723.

- 3.6 Following a high in 2010/11 we are consistently seeing a year on year reduction in the value of former tenancy arrears.

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

- 3.7 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.
- 3.8 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.
- 3.9 The total outstanding general debt as at 30th September 2014 was £1,153,916. This compares with £917,962 at the same point last year. It is important to remember that this includes all invoices raised and therefore not necessarily overdue. Many people will pay by instalments over the year and therefore there is never a point at which the true figure of out
- 3.10 Members will recall that at the July 2014 meeting, Officer agreed to report data showing outstanding debt against credit terms. Unfortunately it has not been possible to extrapolate this data in a useable format, and the work necessary to provide it is considerable. A new system is being introduced in the first quarter of 2015 and it is hoped that this will enable officers to pull such reports more easily.
- 3.11 However we do know that the vast majority of money owed is paid within the expected terms and that the number of outstanding invoices is low. The following table shows the total debt outstanding at the end of each financial year for the last four years along with the total number and value of new invoices raised. The total debt and number of outstanding debts relate to numerous years and these are the totals outstanding at the end of each financial year.

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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

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.
- 3.14 Each case can require a range of recovery paths as the customers circumstances can change during the lifetime of the debt.
- 3.15 Our income management system dates back to Oct 2006 and at that time 264 outstanding debts totalling £159,812 were carried forward. These are still live on the system and deemed collectable. 23 debts older than Oct 2006 relating to Former Tenancy arrears and totalling £18,781.80 are also 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

None

6. BACKGROUND PAPERS

AUTHOR OF REPORT

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