

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

28th January 2016

DEBT RECOVERY UPDATE - QUARTERS 1 AND 2 2015/16

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda Singleton, 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 Committee is asked to RESOLVE that

the contents of the report be 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 2015/16 at the end of the second quarter totals £403,288.52. This relates to 453 individual cases.
- 3.5 This compares with previous years as follows:

2013/14 - 395 individual outstanding debts, totalling £336,723.

2014/15 - 381 individual outstanding debts, totalling £332,911.

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

28th January 2016

- 3.6 The increase in outstanding debt is due predominantly to reduced recovery action during the period.
- 3.7 In March 2015 the Council migrated to a new financial services system. The work in relation to this has created a huge amount of additional work and put considerable strain on the resources available in respect of invoicing and recovery of debt. Formal tenancy arrears are the hardest debt to recover and considerable staff hours are deployed to recover a relatively small amount of cash. The priority has been to ensure that customer accounts are correct and that payments have been correctly posted before any recovery action recommenced.
- 3.8 Recovery action has now restarted and any outstanding debts will be pursued as normal.
- 3.9 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.
- 3.10 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 were, until April 2015, numerous different recovery timescales and reminder notices dependant on the debt type. The process in respect of invoicing and recovery has been improved and streamlined in the last 10 months with the majority of debts payable within 28 days and with standardised recovery paths in place for all debts.
- 3.11 The total outstanding general debt as at 30th September 2015 was £1,209,374. This compares with £1,153,916 at the same point last year. It is important to remember that this includes all invoices raised and not yet paid in full, but not necessarily overdue. Many people will pay by instalments over the year, whether quarterly, monthly or weekly. Therefore this figure is only indicative.
- 3.12 Given the low levels of recovery action to date during this financial year this indicates that the vast majority of customers are paying the money owed to the Council.
- 3.13 It is hoped that greater detail will be possible in the reporting of debts outstanding against credit terms in future. However, it has not yet been possible to extrapolate this data in a useable format from the new system, and the work necessary to provide it is considerable.
- 3.14 As evidenced on the following table the vast majority of money owed is paid within the expected terms and that the number of outstanding invoices is low.

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

28th January 2016

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
2014/2015	£924,158	2,962	£6,174,202	28,775	26,500 approx*

* Exact figure cannot be provided due to the migration of debts during March 2015. This resulted in some debts being raised in both systems and manual adjustments being made to ensure that customers did not get billed twice.

Legal Implications

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

Service / Operational Implications

- 3.16 As previously mentioned the recovery process taken up to April 2015 varied depending on the debt in question. This was due to variable credit terms and recovery periods. Significant changes have been implemented along with the new computer software to streamline the process and bring all terms in line, wherever possible.
- 3.17 However, we aim to take a customer focused approach to the recovery of debt. We always balance the need to recover monies owed with an understanding of the customer's total indebtedness to avoid putting in place unrealistic or unmanageable payment plans and taking account of the individual customer's circumstances.
- 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. The migration process has identified some very old debts which it may now be appropriate to consider for write off and these will be considered in line with the Council's write off policy and reported to Executive in June 2016.

Customer / Equalities and Diversity Implications

- 3.19 It is important for the Council's reputation to evidence to customers that every effort is made to recover debts to the Council.
- 3.20 The process for the recovery of debts is equitable and proportionate.

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

28th January 2016

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 customers are 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.

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

6. BACKGROUND PAPERS

None

AUTHOR OF REPORT

Name: Amanda Singleton, Head of Customer Access and Financial Support
email: a.dewarr@bromsgroveandredditch.gov.uk
Tel.: 01527 881241