

Agenda Item No:

SUBJECT:	Debt Recovery	
REPORT OF:	Officer Management Team -	Director of Resources
	Prepared by -	Head of Finance

1. Purpose of Report

- 1.1. To provide Members with information on the Council's income collection performance in 2011/12 and debt position as at 31 March 2012.

2. Links to Council Policies & Plans

- 2.1. The collection of debt is an essential part of providing Value for Money, which is one of the Council's six key drivers.

3. Background

- 3.1. At the Resources PAG on 5 February 2008 Members, as part of reviewing the Bad Debt Write Off Policy, requested that:

'at the end of each financial year a report on the debts position be made to this PAG for information'.

4. Income Collection 2011/12

- 4.1. The following table provides details of the income collected from taxpayers / customers in 2011/12 and compares this to the collection targets set. It only includes details of income that is collected after the issuing of a bill. Income collected at the point of sale (eg car park fees, planning application fees, golf course fees) is excluded as by definition this is always collected.

Debt Category	Total Amount Due £'000	Collection Target £'000	Actual Amount Collected £'000	Collection Target %	Actual Amount Collected %	Actual Amount Collected 2009/10 %
Council Tax						
- 2011/12 Council Tax (BV9)	45,361	44,590	44,341	98.3%	97.8%	98.6%
- Prior year arrears ⁽²⁾	2,326	814	526	35.0%	22.6%	32.8%
NNDR ⁽¹⁾						
- 2011/12 NNDR (BV10)	28,780	28,435	28,187	98.8%	97.9%	98.8%
- Prior year arrears ⁽²⁾	1,076	377	164	35.0%	15.0%	54.1%
Housing Benefit Overpayments						
- All years (3)	1,553	N/A	308	N/A	19.8%	N/A
Sundry Debtors						
- Raised in 2011/12	2,356	2,003	2,107	85%	89%	85%
- Prior year arrears ⁽²⁾	335	285	311	85%	93%	92%
Excess Charge Tickets						
- Raised in 2011/12	116	99	101	85%	87%	91%
- Prior year arrears ⁽²⁾	16	6	12	40%	75%	64%

(1) Although SBDC collects NNDR debt all amounts collected are currently paid over to the National Pool.

(2) The target for prior year arrears is based on the net reduction in outstanding debt.

(3) In previous years HB OP collection performance was based on BV79b(i). However this PI has now been abolished.

- 4.2. As part of the plan to minimise the risks associated with the transition of the revenues service from Capita to Northgate, some recovery action was deferred for Council Tax and NNDR during the months of November and December 2011 with court dates being reset for January 2012. Whilst overall collection rates should remain on a par with previous years, the 'in year' collection rates showed a slight fall due to the delay.
- 4.3. Capita / Northgate collect Council Tax, NNDR and Housing Benefit Overpayment debt on behalf of SBDC. The collection targets for Council Tax and NNDR are set to maintain top quartile performance and sustain previous year's collection rates. Performance is monitored monthly as part of reviewing the formal monthly contract monitoring report and any slippage is challenged as part of the monthly contract monitoring meetings.
- 4.4. Sundry debtor collection performance is monitored on a monthly basis by the Head of Finance.
- 4.5. Excess charge collection performance is monitored on a monthly basis by the Facilities & Property Manager.

5. Outstanding Debt Position

- 5.1. The following tables provides a summary of the main outstanding taxpayer / customer debts at the start and the end of the 2011/12 financial year.

As at 31 March 2012	Older Debt £'000	03/04 £'000	04/05 £'000	05/06 £'000	06/07 £'000	07/08 £'000	08/09 £'000	09/10 £'000	10/11 £'000	11/12 £'000	Total £'000
Council Tax	51	47	55	88	160	225	304	365	505	1,199	2,999
NNDR	84	41	37	46	66	66	175	148	249	793	1,705
Housing Benefit Overpayments	193 (Due to system change do not have analysis by year prior to 07/08)					96	73	122	263	376	1,123
Sundry Debtors	4	-	-	2	6	-	6	2	4	249	273
Excess Charge Tickets	-	-	-	-	-	-	-	-	4	15	19

As at 31 March 2011	Older Debt £'000	03/04 £'000	04/05 £'000	05/06 £'000	06/07 £'000	07/08 £'000	08/09 £'000	09/10 £'000	10/11 £'000	Total £'000
Council Tax	61	59	66	108	204	267	407	490	664	2,326
NNDR	84	41	37	49	67	69	176	210	343	1,076
Housing Benefit Overpayments	317 (Due to system change do not have analysis by year prior to 07/08)					123	95	143	369	1,047
Sundry Debtors	4	-	-	2	7	-	8	4	310	335
Excess Charge Tickets	-	-	-	-	-	-	-	5	11	16

- 5.2. As can be seen the outstanding debt level has increased in some year which is not unexpected given the current economic climate.

6. Bad Debt Write Offs

- 6.1. The write off of any debt represents the loss of potential income to the Council. However there are always cases where all recovery options have been pursued and / or there is no realistic hope of recovery and thus the only remaining course of action is to write these debts off.
- 6.2. Each year in line with good practice the Authority set aside funds to cover the write off of debts by establishing a provision for bad debt and write offs are funded from this provision.
- 6.3. The following table provides a summary of the debts that were written off in 2011/12.

Debt Category	Number of Cases	Amount £'000
Council Tax		
- Under £500	35	5
- Under £2,500	46	73
- PAG approved over £2,500 (5 Mar 12)	<u>21</u>	<u>85</u>
	102	163
NNDR		
- Small balances less than £5	48	-
- Companies dissolved	2	10
- Adjustment to prior year write off	1	<u>-1</u>
		9
Housing Benefit Overpayments		
- Approved by Officers	316	112
- Non recoverable	<u>66</u>	<u>19</u>
	382	131
Sundry Debtors		
- Rent Deposit Debts - Approved by Officers	5	6
- Homelessness B&B Cases - Approved by Officer	18	1
- Bankruptcy write off (note 1)	1	8
- Other Debts - Approved by Officers	<u>2</u>	<u>-</u>
	26	15
Excess Charge Tickets		
- Approved by Officers	109	9
Total		326

Nb: Officers have the authority to write off debt of up to £2,500 under the Bad Debt Write Off policy.

Note 1: A payment of £7,656 was due from a contractor. However the company was bankrupt and thus the debt was unable to be recovered.

7. Cost of Debt Recovery

- 7.1. The longer that taxpayers / customers take to pay debts the less likely that recovery action will be successful. SBDC therefore aims to ensure that firm recovery action is always taken swiftly. Furthermore each day SBDC loses approximately £3 in interest for every £100,000 of debt that is overdue (1% interest rate).
- 7.2. The recovery of Council Tax, NNDR and Housing Benefit Overpayments is the responsibility of our Revenues and Benefits contractor (Northgate). The cost of recovery action has therefore been outsourced and it is for Northgate to ensure that it adopts an effective and cost efficient processes to recover debt in line with the Council's debt recovery strategy. A key part of the recovery strategy adopted is to ensure that outstanding debt is chased swiftly and the recovery timetables agreed with Northgate ensure that action is taken as quickly as is permitted by the Council Tax (Administration and Enforcement) Regulations 1992. In addition Council Tax payers are encouraged to pay by Direct Debit which is the most certain method of collection - currently approximately 82.2% (prior year 78.5%) of taxpayer pay by direct debit.

- 7.3. With regard to Sundry Debt, SBDC actively attempts to collect all debt over £50 as it helps ensure that a non-payment culture does not develop. In 2011/12 SBDC spent £55 on tracing fees (note we only get charged for positive traces) and £991 on debt collectors fees relating to sundry debt recovery.
- 7.4. With regard to excess charge debt, in 2011/12 SBDC pursued 40 cases via the magistrates court, 38 of which resulted in a successful prosecution.

8. Recommendation

- 8.1. The Resources PAG is requested to note the Council's income collection performance in 2011/12 and debt position as at 31 March 2012.

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Background Papers:	