



AUDIT COMMITTEE REPORT

Report Title	Corporate debt – Progress and Age debt analysis
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AGENDA STATUS: PUBLIC

Audit Committee Meeting date:	9 th January 2012
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Councillor Alan Bottwood

1. Purpose

- 1.1 The Chair of the Audit Committee has requested a report to be provided to each Audit Committee that shows analysis of debt and the age of outstanding debt across Northampton Borough Council (NBC)

2. Recommendations

- 2.1 That the Audit Committee note the latest updated analysis of debt.

3. Issues and Choices

3.0 Report Background

- 3.1 The corporate debt recovery team is responsible for the recovery of all overdue debt across the Council. Initially requests for payment should be requested from individual service areas, with the appropriate reminder notices issued to ensure income is collected as soon as possible. Where this has been completed and debts are still outstanding the debt is then passed to the Councils recovery team in order to seek payment of the debt. The recovery team have responsibility for recovery of overdue debt as follows:

- Council Tax
- Business Rates (NNDR)
- Business improvement district levy (NNDR)
- Council Tenants but not current rent arrears
- Former Council Tenants
- Service Charges for leaseholders
- Re-chargeable repairs – current tenants
- Re-chargeable repairs – former tenants
- Housing benefit overpayments
- Sundry debts (i.e. Council services)

3.2 The debt recovery team liaise with all service Departments to ensure that income collection and debt avoidance practices are adopted across the Council. This ensures that the quality of debts passed to the section is improving and that the requirements of the Councils Debt recovery policy can be followed in a timely manner.

4. Issues

4.1 Excellent progress has been made in taking a single approach to debt recovery and the Revenues debt management team will continue to work across service areas to ensure we take a truly corporate approach to debt avoidance and recovery.

5 Progress

- Data cleansing and action against old debt continues. An analysis of progress in debt reduction within the IRAS system is shown below: This is all debt from the issue of a level 2 letter, the recovery team's first involvement

	Mar-10	Mar-11	Apr-11	Jul-11	Oct-11	Nov-11
Pre 07-08	613,897.53	442,858.22	439,022.83	402,588.64	372,238.10	347,536.37
07-08	225,881.06	147,882.14	138,813.67	117,916.33	102,853.91	100,841.89
08-09	344,995.10	138,217.29	128,594.37	103,752.30	78,743.49	74,515.80
09-10	551,858.76	132,219.96	128,187.76	85,096.95	69,121.17	63,350.08
10-11		548,489.32	709,499.47	248,902.34	165,337.75	149,735.79
Total	1,736,632.45	1,409,666.93	1,544,118.10	958,256.56	788,294.42	735,979.93

Historic debt has been reduced by £673.7k since the end of March 2011 which demonstrates that processes for recovery, write-off and new arrangements are still being delivered, although many of the arrangements in place are for nominal payment arrangements, either weekly and in some cases monthly.

- We have compiled corporate debt matrix that monitors the % of debt not currently managed within the Council. This offers an “at a glance” view of all debt across the Council, along with the current status of

debt. This has improved the way our portfolio holder and management board review our position on debt.

- The target this year is to continue to reduce the amount of the amount of unmanaged debt and this is demonstrated in Appendix A – Managed Debt Analysis 2011/12.
- Overall debt levels as at 30th November 2011
Unmanaged debt is 51.8% less than at the end of March 2011 and 57.4% less than the same time last year.
The overall outstanding arrears are £537.6k less than at the same point last year.
- Council Tax as at 30th November 2011
Unmanaged debt is £140.9k less than the same time last year.
The overall outstanding arrears are £777.6k less than at the same point last year.
- Business Rates as at 30th November 2011
Unmanaged debt remains unchanged.
The overall outstanding arrears are £210k less than at the same point last year.
- Former Tenant Arrears as at 30th November 2011
Unmanaged debt is 51.1k less than the same time last year.
The overall outstanding arrears are £102.6k less than at the same point last year.
- Housing Benefit Overpayments Payments as at 30th November 2011
Unmanaged debt is £207k less than the same time last year.
The overall outstanding arrears are £407k more than at the same point last year. Whilst income collection is above target, these cases remain very difficult to collect and the increase in our rent allowance caseload of 50% has impacted on the debt levels in this area. Benchmarking with similar sized Councils reflects the trend at Northampton.
- Sundry Debts as at 30th November 2011
Unmanaged debt is £354.1k less than the same time last year.
The overall outstanding arrears are £146.7k more than at the same point last year.

We have previously advised that the concept of measuring un-managed debt, against a clearly documented set of behaviours for each debt type, will in itself improve performance. Therefore all unmanaged debt that is highlighted, can be prioritised, a plan to improve can be developed and implemented.

Key areas of recent activity include:

1. Award of Bailiff and Collection Agency contract

- This has led to a clearly defined performance framework from 1st November 2011
- Four companies working for us (with three in “reserve”, no need to re-tender)
- Failure to deliver to standard, referral of new cases ceases
- Poorest performer replaced.
- Performance meetings every 6 weeks, comparative figures shared with all
- This covers all debt types, but different actions dependent on liability orders/judgements

2. Court Activity

- We have increased the number of cases where court action taken, where cases have been returned from collection agencies
- Money Claims on-line for Sundry Debts and FTA
- Bulk Centre Claims for Housing Benefit Overpayments
- Reduction in Council Tax summons issued, due to a more generous selection criteria due to the current financial climate and an overall increased collection rate.

3. Improvement in recovery timetables, driven by performance management

- Cases reviewed on weekly or monthly basis, dependent on behaviours for debt type, driven by system parameters and review dates (with the exception of IRAS). These are constantly improved, easier to make things the “norm” when they are up to date.
- Business driven reporting tools for all levels of debt and types, reactive to service needs, and resource availability. Reporting on items of focus, whilst they are in focus.
- Encouraging change in how we view and tackle customers with debts.
- Re-training of team members and tackling individual performance issues

4. Interviewing customers

- Conveyor-belt approach to recovery is not enough, triggers of contact need to be created
- Interviews set up based on intelligence and circumstances
- Inviting serious debtors in for interviews (consistently 30% attendance rate)
- Joint meetings for Housing & Council Tax Cases, cases where notice to seek possession has commenced (about 30% of December meetings also attended)
- Other customers, not wishing to attend, contact to make arrangement, or start making payment.

6. Choices (Options)

N/A

7. Implications (including financial implications)

7.0 Policy

7.1 As a result of priority debt as defined by the Corporate Debt Policy we now have £302.7k on hold awaiting clearance of priority debts. As more cases reach consideration for court action this category of debt pending other priority debt will increase.

Resources and Risk

We are still reviewing the implications of welfare reform on the collection of debts across the Council. Reductions in benefits will start to have an impact in 2011/12 and then properly in 2012/13. It is estimated that for those affected, benefits administered by Northampton Borough Council will reduce by over £2million in 2012/13. Reductions in state benefits may also occur meaning households will have less money to allocate to debts they may owe to Northampton Borough Council.

8 Legal

N/A

9 Equality

An equality impact assessment, initial screening has been completed and a subsequent action plan will be created identifying areas to develop as part of ongoing assessments.

10 Consultees (Internal and External)

We will continue to work closely with the public and the voluntary sector in order to ensure that we take a fair approach to debt recovery.

11 Implications

N/A

12. Background Papers

N/A

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APPENDIX A – Managed Debt Analysis 2011/12

	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
TOTAL ARREARS	19,131,164	18,858,181	17,853,179	18,300,059	17,543,736	16,546,113	15,932,430	15,980,705				
Awaiting Action	1,471,740	1,344,078	1,130,890	1,194,846	1,095,421	1,003,148	1,021,854	559,935				
Debt in Progress	17,659,424	17,514,103	16,722,289	17,105,213	16,448,315	15,542,965	14,910,576	15,421,860				
% Inactive debt [PI]	7.69%	7.13%	6.33%	6.53%	6.24%	6.06%	6.41%	3.50%				
CTAX	9,861,308	9,312,254	8,965,583	8,798,626	8,317,736	7,900,988	7,674,697	7,507,756				
Inactive	388,267	302,148	357,223	330,884	338,801	384,974	444,410	148,845				
In progress	9,473,041	9,010,106	8,608,360	8,467,742	7,978,935	7,516,014	7,230,287	7,358,911				
Inactive debt	3.94%	3.24%	3.98%	3.76%	4.07%	4.87%	5.79%	1.98%				
NNDR	2,523,997	2,419,223	1,949,323	2,031,969	1,624,011	1,483,784	1,274,408	1,225,782				
Inactive	0	0	0	0	0	0	0	0				
In progress	2,523,997	2,419,223	1,949,323	2,031,969	1,624,011	1,483,784	1,274,408	1,225,782				
Inactive debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
FTA	1,414,084	1,390,874	1,422,396	1,400,314	1,417,501	1,347,224	1,357,274	1,396,226				
Inactive	121,473	112,976	157,715	191,959	154,045	145,330	138,673	127,052				
In progress	1,292,611	1,277,898	1,264,681	1,208,355	1,263,456	1,201,894	1,218,601	1,269,173				
Inactive debt	8.59%	8.12%	11.09%	13.71%	10.87%	10.79%	10.22%	9.10%				
HBOP	4,078,858	4,132,484	4,281,919	4,245,479	4,283,298	4,323,498	4,275,001	4,282,775				
Inactive	365,030	300,500	351,403	363,711	319,252	361,588	192,674	184,294				
In progress	3,713,828	3,831,984	3,930,515	3,881,768	3,964,046	3,961,910	4,082,328	4,098,481				
Inactive debt	8.95%	7.27%	8.21%	8.57%	7.45%	8.36%	4.51%	4.30%				
SD	1,252,917	1,603,346	1,233,958	1,823,673	1,901,189	1,490,617	1,351,049	1,569,256				
Inactive	596,969	628,454	264,548	308,293	283,323	111,255	246,097	99,744				
In progress	655,948	974,892	969,410	1,515,380	1,617,866	1,379,362	1,104,952	1,469,512				
Inactive debt	47.65%	39.20%	21.44%	16.91%	14.90%	7.46%	18.22%	6.36%				