



## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Former Tenant Arrears</b>
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting date:</b>	22/10/2009
<b>Policy Document:</b>	No
<b>Directorate:</b>	Finance and ICT
<b>Accountable Cabinet Member:</b>	Councillor David Perkins

### 1. Purpose

1.1 At the 2<sup>nd</sup> June 2009 meeting of the audit committee a request was made for a report on former tenant arrears. This was to include information relating to the bad debt provision and the corporate write off policy.

### 2. Recommendations

2.1 The debt recovery team continue work on data cleansing all systems holding historic debt owed to the Council,

2.2 As a result of data cleansing all inactive debt is reviewed and action taken as appropriate. Actions include:

- Setting up agreement with a customer where they can be traced,
- Using available databases to trace debtors,
- Deductions from benefits,
- Referral to collection agencies,
- Action through the courts and use of bailiffs,
- Write off,

2.3 Work continues with service areas to ensure all measures are taken to avoid overdue debt occurring in the first place.

2.4 In connection with 2.3 ensure accountability of Departments through accurate reporting of avoidable overdue debt being created i.e. where we utilise collection

agencies there is a loss of approximately 17.5p in every £1 collected through charges. Where a debt was avoidable this is effectively a cost being incurred by the originating service unit,

- 2.5 Upon completion of data cleansing accurate monthly monitoring reports and targets will be set against historic and current overdue debt.
- 2.6 A review of the current write off policy and completion of an associated Equalities impact Assessment will be completed towards the end of 2009,
- 2.7 Creation of a cross department corporate debt / fair debt policy will also be developed in line with the review of the write off policy. The first draft will be available by the end of 2009.
- 2.8 Recovery procedures and processes to be reviewed to ensure they are appropriate comply with best practice and are cost effective.

### **3.1 Issues and Choices**

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#### **Report Background**

- 3.1.1 Tenants find themselves in rent arrears for a variety of reasons including unemployment, ill health, and marriage or family breakdown and spending more than they can reasonably afford for example, through credit cards or loans. The Housing Department are reviewing procedures to ensure that appropriate advice is given to tenants and that enforcement action is taken when required. Initiatives include a rent collection strategy that specifically addresses prevention issues and a self help pack for tenants who find themselves in debt.
- 3.1.2 Historically Northampton Borough Council has had high levels of overdue debt outstanding within various service units. As a result the subsequent bad debt provisions for some areas are set high, having a detrimental effect on the money available to spend within the general fund and the housing revenue account as essentially through setting a high provision the debt outstanding will not be expected to be recovered. Data cleansing and work on outstanding debt will better identify the level of debt we expect to collect and therefore reduce bad debt provisions for future years.
- 3.1.3 As a result of the historic high levels of debt and from the end of July 2009 a new corporate debt team was formed from members of the old exchequer services team. The new teams purpose is to actively seek recovery of overdue debts owed to the Council. The team is part of the revenues and Benefits Department, who have extensive experience of the collection and recovery of debts owed to the Council. The new team have responsibility for recovery of overdue debt as follows:
  - Former Tenant Arrears,
  - Sundry Debts,
  - Housing Benefit overpayments,
  - Temporary Accommodation,
  - Housing Repairs,

3.1.4 An initial summary of debt owed through former tenant arrears and the current bad debt provision is shown below:

<b>Former Tenant Arrears Debt analysis Summary</b>	Oct-09
Total Debt IRAS system	£193,237
Total Debt IBS System	£1,332,327
<b>Grand Total</b>	<b>£1,525,564</b>

Breakdown of total:

Debt not yet overdue	£22,089
Debt in recovery	£132,848
Debt where payments being received	£300,768
Data cleansing / no action being taken	£1,069,858

Summary of debt in progress vs Inactive:

Total debt where action or payments being made <b>(A)</b>	£455,706
Total debt where data cleansing / no action <b>(B)</b>	£1,069,858

3.1.5 Work on reviewing debt outstanding on former tenant arrears has already commenced. Through work completed during the last financial year, a total of £590,000 was identified and subsequently written off as un-recoverable. This will have been through various problems including the age of debt and the inability to trace absconders / debts that have moved away.

3.1.6 Debt shown in figure A of the table represents the total amount we are either receiving instalments / payments or those debt that we are taking action on through debt collection agencies / court action etc.

3.1.7 The debt shown in figure B of the table represents the debt that we are data cleansing to enable recovery action, where appropriate, to be initiated.

## 3.2 Issues

3.2.1 Extensive data cleansing is being undertaken to ascertain the stage historic and current debt has reached in the recovery process. This involves development of existing systems to enable accurate and timely system generated reports. This particularly relates to the IRAS (sundry debtors) and IBS system in housing.

3.2.2 Alongside the management reporting aspects, service re – design and consultation across Departments is underway. This is to address specific requirements moving forward around:

- Minimising debt occurring in the first place, particularly through the timely assessment of benefits,
- Ensuring that services by the Council are paid up front where possible i.e. housing repairs, rental of meeting rooms etc.

- Ensuring the completion of housing benefit forms IRO temporary accommodation,
- Maximising benefit through prompt completion of benefit forms at tenancy sign-ups,
- Completion of processes and procedures between Departments and debt recovery team to ensure all debt referred / showing as overdue is accurate i.e. all appropriate reminders, efforts to ensure prompt payment, reconciliation of actual payments have been completed prior to referral / when picked up as overdue by the debt recovery team.

3.2.3 Existing write off policy (**AT APPENDIX A**) did not have an Equalities Impact assessment completed,

3.2.4 A corporate debt policy / fair debt policy is required to ensure recovery is fair when considering individual circumstances and that Corporately we have an priority of debt recovery across Departments i.e. If we have two debts within two separate departments, which takes priority? The Audit Commission recommends that organisations develop corporate debt policies so that staff have clear direction as to which debt a tenant should pay first.

### **3.3 Choices (Options)**

3.3.1 There are options to create additional posts within the team to ensure that over the next 18 – 24 months we increase collection, whilst work to data cleanse and develop ongoing relationships and procedures are completed. Through additional resource bad debt provisions could be reduced, whilst we also increase the debt collected through recovery.

3.3.2 A project is underway to commission a piece of work to create a single view of debtor across all corporate debt areas. This will aid work on an equalities impact assessment that will lead to a fair debt/corporate debt policy, alongside a review of the write off policy. This work will also enable faster review of existing debt and the associated data cleansing. The likely success of this work should also negate the need for additional staff (above).

## **4. Implications (including financial implications)**

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### **4.1 Policy**

- 4.1.1 Creation of Corporate Debt Policy as detailed,
- 4.1.2 Review of corporate write off policy as detailed,

### **4.2 Resources and Risk**

- 4.2.1 Additional resource to deliver increased collection both short – term and into the future reducing level of bad debt provisions (again success of 3.3.2 should negate this need),
- 4.2.2 Moderate level of risk in increasing collection due to the current economical downturn. However collection of debt associated with Business Rates and Council Tax are showing signs of returning to normal after reduced collection between February 2009 and June 2009.

### **4.3 Legal**

4.3.1 Policies and procedures will be reviewed by legal as part of the process in formulating a policy.

### **4.4 Equality**

4.4.1 All policies will require a full equality impact assessment.

### **4.5 Consultees (Internal and External)**

4.5.1 Consultation with Welfare agencies, housing associations and external bailiff and collection organisation may be undertaken as part of any policy creation.

### **4.6 Other Implications**

4.6.1 N/A

## **5. Background Papers**

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5.1 N/A

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