



AUDIT COMMITTEE REPORT

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

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| Audit Committee Meeting date: | 19 th March 2012 |
| Policy Document: | No |
| Directorate: | Finance and Support |
| Accountable Cabinet Member: | Councillor Alan Bottwood |

1. Purpose

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

3.1 Report Background

3.1.1 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)

3.1.2 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.

3.2 Issues

3.2.1 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.

3.3 Progress

3.3.1 Data cleansing and action against old debt continues. An analysis of progress in debt reduction within the IRAS system is shown below: The table 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.

| IRAS Performance | | | | | To date 09.01.12 |
|--|-------------|-------------|-------------|-------------|---------------------|
| Year | 2007/2008 | 2008/2009 | 2009/2010 | 2010/2011 | 2011/2012 |
| Balance b/f | 7,043,403 | 5,822,867 | 4,046,787 | 5,667,552 | 3,260,349 |
| Write-offs | -182,419 | -712,217 | -376,584 | -332,705 | -207,046 |
| Invoices raised | 12,984,496 | 10,734,037 | 13,625,004 | 11,273,640 | 10,340,483 |
| VAT raised | 1,068,936 | 617,599 | 809,141 | 1,012,755 | 989,621 |
| Payments received | -15,091,549 | -12,415,498 | -12,436,797 | -14,360,892 | -12,319,811 |
| Balance c/f | 5,822,867 | 4,046,787 | 5,667,552 | 3,260,349 | 2,063,596 |
| Change in balance | -1,220,536 | -1,776,079 | 1,620,765 | -2,407,203 | -1,196,753 |
| Payments against arrears & debt raised | 71.53% | 72.29% | 67.30% | 79.99% | 84.44% |
| Write-offs against arrears & debt raised | 0.86% | 4.15% | 2.04% | 1.85% | 1.42% |

- 3.3.2 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.
- 3.3.3 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.
- 3.3.4 Overall debt levels as at 31st January 2012. Unmanaged debt is 40.7% less than at the end of March 2011 and 48.4% less than the same time last year. The overall outstanding arrears are £705.4k less than at the same point last year.
- 3.3.5 Council Tax as at 31st January 2012. Unmanaged debt is £237.7 less than the same time last year. The overall outstanding arrears are £331.4k less than at the same point last year.
- 3.3.6 Business Rates as at 31st January 2012. Unmanaged debt remains unchanged. The overall outstanding arrears are £204.8k less than at the same point last year.
- 3.3.7 Former Tenant Arrears as at 31st January 2012. Unmanaged debt is £65.4k more than the same time last year. The overall outstanding arrears are £224.2k less than at the same point last year.
- 3.3.8 Housing Benefit Overpayments Payments as at 31st January 2012. Unmanaged debt is £35k less than the same time last year. The overall outstanding arrears are £246.6k 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.
- 3.3.9 Sundry Debts as at 31st January 2012. Unmanaged debt is £438.7k less than the same time last year. The overall outstanding arrears are £191.4k less than at the same point last year.
- 3.4 We have previously advised that the concept of measuring unmanaged 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.
- 3.5 Key areas of recent activity include:

3.5.1 Award of Bailiff and Collection Agency contract

- A clearly defined performance framework has been in place since from 1st November 2011, with meetings every 6 weeks, where comparative figures shared with all
- Failure to deliver to standard, results in the cessation of new cases
- Continued poor performance results in being replaced.
- This covers all debt types, but different actions dependent on liability orders/judgements
- New 13-week rule has highlighted companies holding on to work, where they should have returned case, or collected. We are currently working through cases.

3.5.2 Court Activity

- We continue to have increased 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

3.5.3 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
- Currently working on replacing IRAS system with Aggresso, will have short-term hit on collection, but medium to long term, this a more responsive recovery tool, releasing team members from manual intervention on cases, to more pro-active recovery behaviours. It will also provide us with a better reporting mechanism.

3.5.4 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

- Housing, Council Tax and Recovery are due to trial joint surgeries in Kings Heath and at the Guildhall, where debt advice will also be provided
- Other customers, not wishing to attend, contact to make arrangement, or start making payment.

4. Implications (including financial implications)

Policy

4.1.1 As a result of priority debt as defined by the Corporate Debt Policy we now have £329.3k on hold awaiting clearance of priority debts. This is broadly broken down as FTA £145.8k, IRAS £81k and OPHB £102.4k. As more cases reach consideration for court action this category of debt pending other priority debt will increase.

4.2 Resources and Risk

4.2.1 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.

4.3 Legal N/A

4.4 Equality

4.4.1 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.

4.5 Consultees (Internal and External)

4.5.1 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.

4.6 Implications N/A

5. 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 | 15,045,254 | 14,377,143 | | |
| 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 | 691,782 | 689,849 | | |
| 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 | 14,353,472 | 13,687,294 | | |
| % Inactive debt [PI] | 7.69% | 7.13% | 6.33% | 6.53% | 6.24% | 6.06% | 6.41% | 3.50% | 4.60% | 4.80% | | |
| 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 | 7,276,413 | 6,803,605 | | |
| Inactive | 388,267 | 302,148 | 357,223 | 330,884 | 338,801 | 384,974 | 444,410 | 148,845 | 144,914 | 92,342 | | |
| 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 | 7,131,499 | 6,711,263 | | |
| Inactive debt | 3.94% | 3.24% | 3.98% | 3.76% | 4.07% | 4.87% | 5.79% | 1.98% | 1.99% | 1.36% | | |
| 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 | 1,149,308 | 919,808 | | |
| Inactive | 0 | 0 | 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 | 1,483,78 | 1,274,408 | 1,225,782 | 1,149,308 | 919,808 | | |
| Inactive debt | 0.00% | 0.00% | 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 | 1,316,119 | 1,299,013 | | |
| Inactive | 121,473 | 112,976 | 157,715 | 191,959 | 154,045 | 145,330 | 138,673 | 127,052 | 102,122 | 214,399 | | |
| 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 | 1,213,996 | 1,084,613 | | |
| Inactive debt | 8.59% | 8.12% | 11.09% | 13.71% | 10.87% | 10.79% | 10.22% | 9.10% | 7.76% | 16.50% | | |
| 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 | 4,217,375 | 4,268,678 | | |
| Inactive | 365,030 | 300,500 | 351,403 | 363,711 | 319,252 | 361,588 | 192,674 | 184,294 | 371,672 | 310,033 | | |
| 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 | 3,845,703 | 3,958,645 | | |
| Inactive debt | 8.95% | 7.27% | 8.21% | 8.57% | 7.45% | 8.36% | 4.51% | 4.30% | 8.81% | 7.26% | | |
| 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 | 1,086,039 | 1,086,039 | | |
| Inactive | 596,969 | 628,454 | 264,548 | 308,293 | 283,323 | 111,255 | 246,097 | 99,744 | 73,074 | 73,074 | | |
| In progress | 655,948 | 974,892 | 969,410 | 1,515,380 | 1,617,866 | 1,379,362 | 1,104,952 | 1,469,512 | 1,012,965 | 1,012,965 | | |
| Inactive debt | 47.65% | 39.20% | 21.44% | 16.91% | 14.90% | 7.46% | 18.22% | 6.36% | 6.73% | 6.73% | | |